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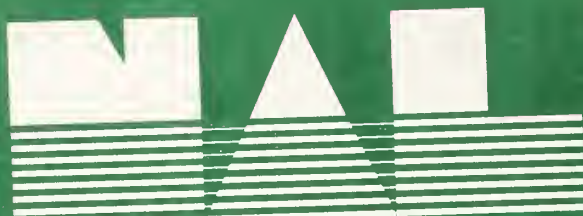
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**A Guide for
U.S.D.A. Scientific Exchange Teams
Traveling to the
People's Republic of China**

Revised Edition
1993

Prepared by
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**United States
Department of
Agriculture**



National Agricultural Library

A Guide for U.S.D.A. Scientific Exchange Teams Traveling to the People's Republic of China

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Section I

Background Information on China and the U.S.-P.R.C. Scientific Exchange Program



10/10/1944

Dear Sir,
I have the honor to acknowledge the receipt of your letter of the 10th inst. regarding the matter of the above-mentioned subject.
I am sorry to hear that you are unable to obtain the necessary information at the present time.
I am sure that you will be able to obtain the necessary information at a later date.
Yours faithfully,
[Signature]



History of the U.S.-P.R.C. Scientific Exchange Program

In 1978, the U.S. Secretary of Agriculture initiated a cooperative agreement with the Ministry of Agriculture, Animal Husbandry and Fisheries of the People's Republic of China (P.R.C.) to exchange scientific teams and information in the fields of agriculture and forestry. In 1979, upon formal U.S. recognition of the P.R.C. government, the American and Chinese governments signed an umbrella Scientific and Technical Exchange Agreement, into which the agricultural agreement was incorporated.

As of 1993, there were twenty-nine protocols signed between U.S. government agencies and Chinese counterpart ministries. The Research and Scientific Exchange Division (RSED), Office of International Cooperation and Development (OICD), U.S. Department of Agriculture (USDA) is the coordinating office for the U.S. exchange protocol on agriculture.

Since 1979, more than eight hundred U.S. and Chinese scientists have participated in short-term, scientific exchange visits to exchange information, expertise and contacts. Four symposia on citrus and soybean were jointly organized during the early 1980's.

As a result of previous exchange visits, three long-term, cooperative research agreements have been signed between USDA and the Chinese Ministry of Agriculture. These include "Plant Genetic Resources" (USDA, Agricultural Research Service), "Biological Control Agents" (USDA, Agricultural Research Service), and "Grassland Restoration" (USDA, Soil Conservation Service).

U.S. exchange teams that went to China in 1992 studied a variety of subjects. These included biological control agents for citrus fruit and grain storage, genetic testing and screening of U.S. tree species planted in China, the evaluation and exchange of field windbreak species, agricultural utilization of flatpea, collaborative sorghum germplasm research, horticultural nutrient use efficiency, fruit fly quarantine methods, and agricultural modeling for China.

P.R.C. exchange teams visiting the U.S. in the same year studied land use geographic information systems (GIS), arid agriculture productivity enhancement, forest pest management with aerial videography, corn production and utilization, sustainable agriculture, agricultural waste utilization, wood fiber use, and irrigation, drainage and salinity control.

Key Contact List

U.S. Department of Agriculture

Research and Scientific Exchange Division

Office of International Cooperation and Development

14th and Independence Avenue, S.W., Room 3222-South
Washington, D.C. 20250-4300

Tel: (202) 690-2867 and (202) 290-1866

Fax: (202) 690-0892

Emergencies: (703) 276-0748 (evenings and weekends)

International Affairs Specialist, China: Lucia Claster

Scientific Exchange Management Specialist: Alma Bowman

Embassy of the People's Republic of China

2300 Connecticut Avenue, N.W.

Washington, D.C. 20008

Tel: (202) 328-2517

Fax: (202) 265-7523

Chinese Consulate General, Chicago

104 South Michigan Avenue, Suite 1200

Chicago, IL 60603

Tel: (312) 346-0287

Chinese Consulate General, Houston

3417 Montrose Boulevard

Houston, TX 77006

Tel: (713) 524-4311

Chinese Consulate General, Los Angeles

502 Shatto Place, Suite 300

Los Angeles, CA 90020

Tel: (213) 380-2507

Chinese Consulate General, New York

520 12th Avenue

New York, NY 10036

Tel: (212) 279-4275

Chinese Consulate General, San Francisco

1450 Laguna Street

San Francisco, CA 94115

Tel: (415) 563-4885

American Embassy, Beijing

Xiu Shui Bei Road, No. 3, Beijing, 100600, P.R.C.

Tel: (86)(1) 532-3431, ext. 274 or (86)(1) 532-3831 (switchboard)

Fax: (86)(1) 532-2962

Agricultural Counselor: Edwin A. Bauer

Agricultural Attache: John O'Connell

Agricultural Trade Officer: Scott Sindelar

Agricultural Marketing Assistant: Diana Sedney

U.S. Consulate, Guangzhou

China Hotel Office Tower, Room 1259, Liu Hua Road, Guangzhou, P.R.C.

Tel: (86)(20) 667-7553

Fax: (86)(20) 666-0703

Agricultural Trade Officer: Wayne Molstad

U.S. Consulate, Chengdu

Tel: (86)(028) 24-481

U.S. Consulate, Shanghai

Tel: (86)(21) 433-6880

U.S. Consulate, Shenyang

Tel: (86)(24) 290-000

Ministry of Agriculture, People's Republic of China

Department of International Cooperation

No. 11, Nong Zhan Guan Nan Li, Beijing, 100026, P.R.C.

Tel: (861) 500-3366

Fax: (861) 500-2448

Deputy Director-General: Liu Cong-meng

Project Officer, Americas: Zhuang Ren-an

U.S. Consulate, Hong Kong

Agricultural Trade Office, St. John's Building, 18th Floor

33 Garden Road, Central, Hong Kong

Tel: (852) 523-9011

Fax: (852) 845-0943

Agricultural Trade Officer: Phillip Holloway

Asst. Agricultural Trade Officer: Emiko Purdy

U.S. Embassy, Tokyo

105-Akasaka, 1-Chome, Minato-ku, Tokyo 107 Japan

Tel: (813) 3224-5102

Fax: (813) 3589-0793

Agricultural Minister-Counselor: James Parker

Agricultural Attache: David Miller

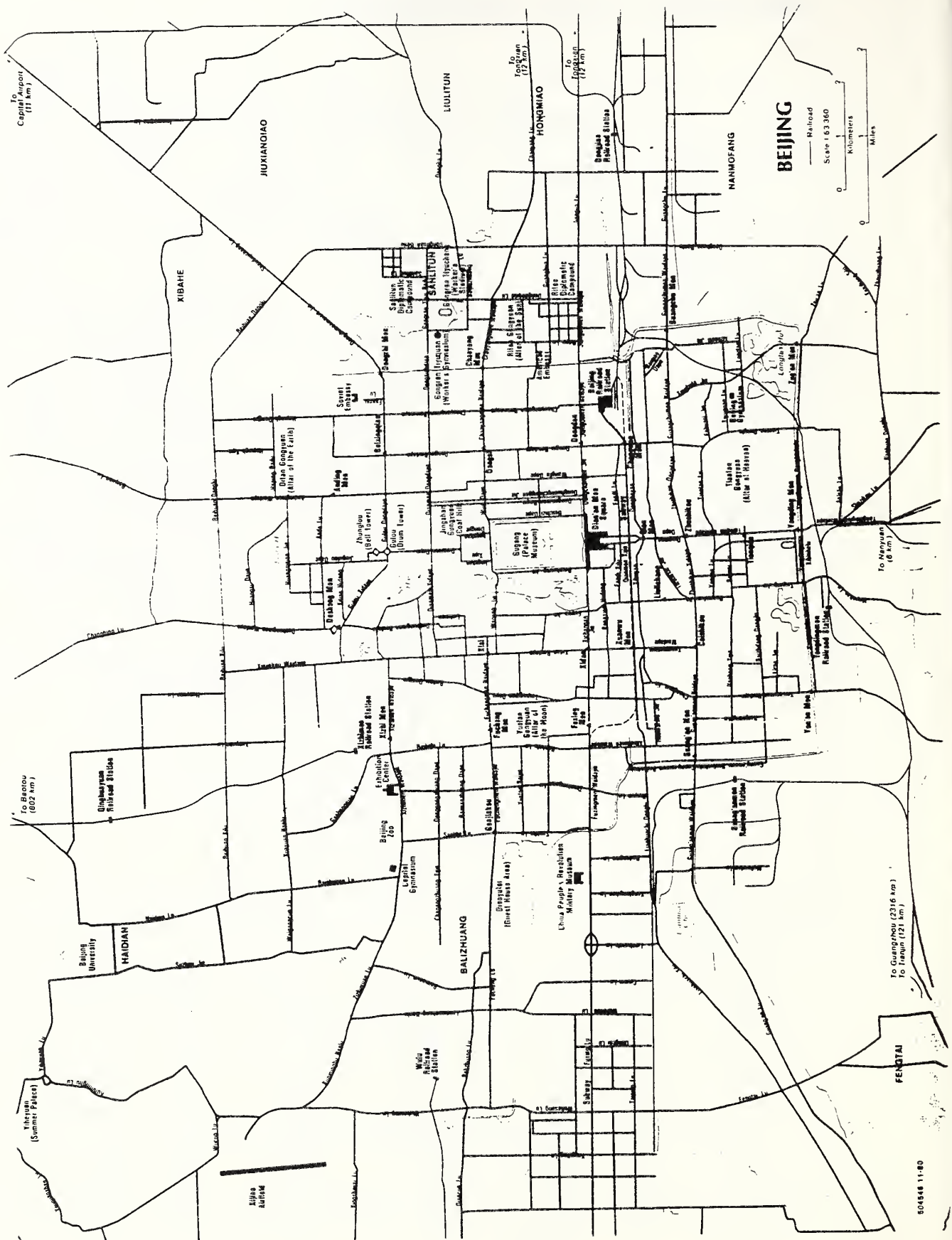
People's Republic of China: Pinyin Romanization

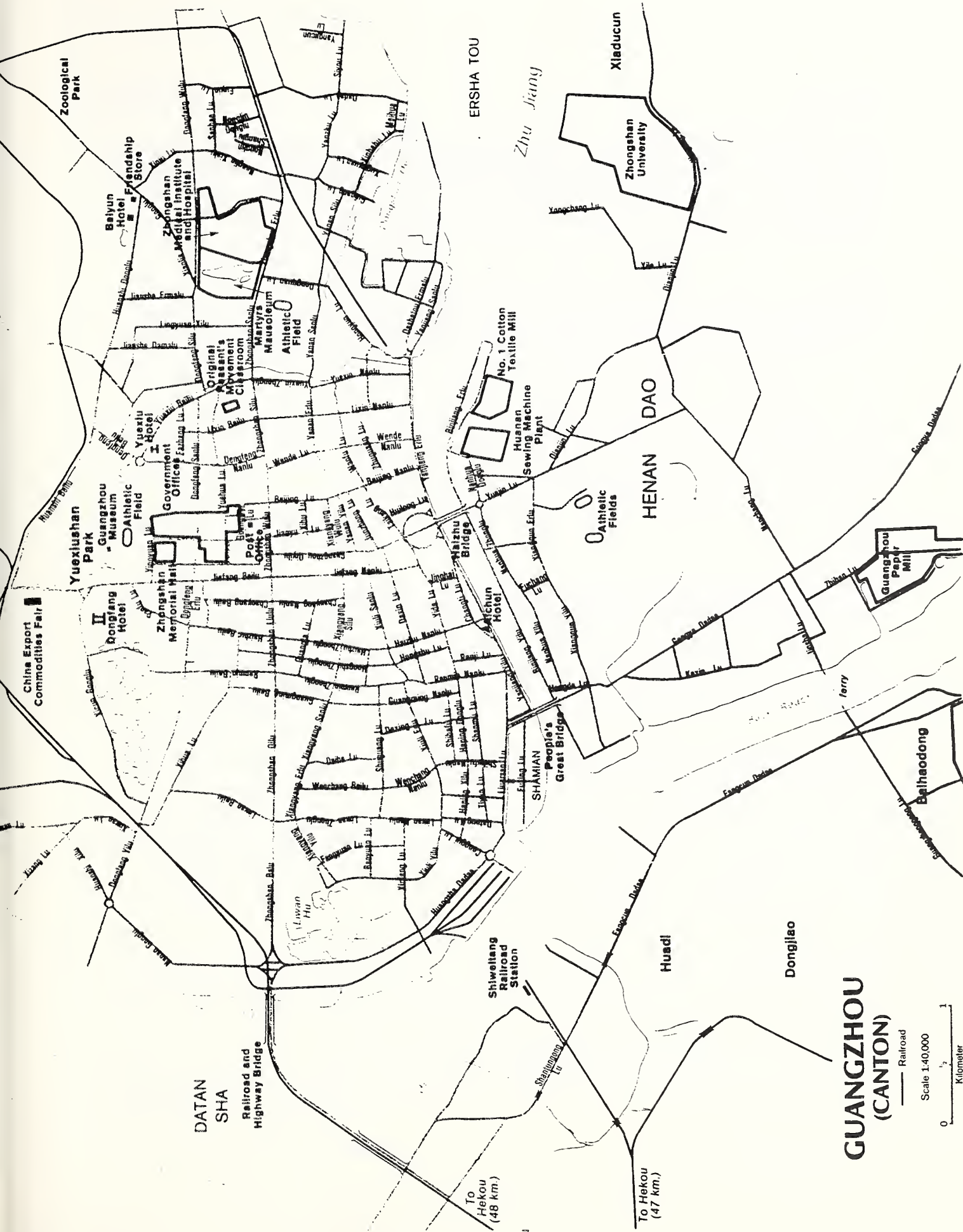


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Province-level Names

Conventional	Characters	Pinyin	Pronunciation	Conventional	Characters	Pinyin	Pronunciation
Anhui	安徽	Anhui	ahn - way	Kweichow	贵州	Guizhou	g_way - joe
Chekiang	浙江	Zhejiang	juh - jee_ong	Liaoning	辽宁	Liaoning	lee_ow - ning
Fukien	福建	Fujian	foo - jee_en	Ningsia	宁夏	Ningxia	ning - she_ah
Heilungkiang	黑龙江	Heilongjiang	hay - loong - jee_ong	Peking	北京	Beijing	bay - jing
Honan	河南	Henan	huh - non	Shanghai	上海	Shanghai	shong - hi
Hopeh	河北	Hebei	huh - bay	Shansi	山西	Shanxi	shahn - she
Hunan	湖南	Hunan	hoo - nan	Shantung	山东	Shandong	shahn - doong
Hupei	湖北	Hubei	hoo - bay	Shensi	陕西	Shaanxi	shun - she
Inner Mongolia	内蒙古	Nei Monggol	nay - mung - goo	Sinkiang	新疆	Xinjiang	shin - jee_ong
Kansu	甘肃	Gansu	gahn - soo	Szechwan	四川	Sichuan	ssu - ch_wan
Kiangsi	江西	Jiangxi	jee_ong - she	Tibet	西藏	Xizang	she - dzong
Kiangsu	江苏	Jiangsu	jee_ong - su	Tientsin	天津	Tianjin	te_en - jin
Kirin	吉林	Jilin	jee - lynn	Tsinghai	青海	Qinghai	ching - hi
Kwangsi	广西	Guangxi	g_wong - she	Yunnan	云南	Yunnan	yu_oon - nan
Kwangtung	广东	Guangdong	g_wong - doong				





GUANGZHOU (CANTON)

— Railroad

Scale 1:40,000

0 1
Kilometer

Geography

China has a land area of 9.6 million square kilometers (3.7 million square miles) and is slightly larger than the United States. It shares common boundaries with North Korea, the former Soviet Union, Mongolia, Afghanistan, Pakistan, India, Nepal, Bhutan, Burma, Laos and Vietnam. The British Territory of Hong Kong and the Portuguese Territory of Macau are off the coast of Guangdong (Canton) Province in southeast China.

China has vast areas of mountains, hills and dry basins. Only 11% of the land is under cultivation. In contrast, about 17% of land in the United States is cultivated. Land use for the rest of the country is divided into meadows and pastures (31%), forests and woodlands (14%), and other uses (45%).

China is dominated by three major rivers - the Yangtze River (Chang Jiang), the Yellow River (Huang He) and the West River (Xi Jiang). Floods from these rivers have caused major disasters in China throughout the ages. However, these rivers are the main source of irrigation water and the main transportation arteries within China.

Population

China, with a population of 1.2 billion people, has more than four times the population of the United States, with about half of the population under the age of twenty-one.

The dominant ethnic group in China is Han, which accounts for about 94% of the population. Other "minority nationality" groups in China are Tibetans, Mongolians, Manchurians, Uyghurs, Kazakhs, Hui, Yi, Miao, Zhuang, Buyi and Koreans.

The national language of China is Mandarin ("putonghua"). In addition to Mandarin, many Chinese people are fluent in one or more provincial dialects.

About eighty percent of the Chinese population lives in the countryside. Only 15% of China is densely populated. The major Chinese urban centers in order of population size are Shanghai, Beijing (Peking), Guangzhou (Canton), Tianjin (Tientsin), Shenyang, Dalian, Wuhan and Chongqing (Chungking).

Public Holidays (1993)

January 1	New Year's Day
January 22-25	Spring Festival (Lunar New Year)
May 1	International Labor Day
October 1-2	Chinese National Day

Government

The sole political party is the Chinese Communist Party and the government is organized into three branches: executive, legislative and judicial. Party leaders include:

Mr. Deng Xiao-ping, Chief of State and Head of Government
Mr. Yang Shang-kun, President
Mr. Wang Zhen, Vice President
Mr. Li Peng, Premier

Note: Surnames in China are listed first, with given names, either one or two words, following. Given names are sometimes hyphenated, sometimes written as two separate words, and other times written together. All three forms are correct.

Economy

Since 1978, the Chinese leadership has been trying to move the economy from a centrally planned economy to a more productive and flexible economy with market elements, but still within the framework of the Communist Party.

The government has switched from collectivization to a system of household responsibility in agriculture to encourage greater production. It has also increased the authority of local officials and factory managers in industry, permitted a wide variety of manufacturing, and opened the foreign economic sector to increased trade and joint ventures.

Chinese exports include manufactured goods, agricultural products, oilseeds, grain (rice and corn), oil and minerals.

Imports include grain (mostly wheat), chemical fertilizers, steel, industrial raw materials, machinery and equipment. China's major trading partners are Hong Kong, the U.S., Japan, the Former Soviet Union, Germany and Singapore.

Agriculture

Agriculture accounts for 26% of China's gross national product (GNP). China is among the world's largest producers of rice, potatoes, sorghum, peanuts, tea, millet, barley and pork. Other key crops include cotton, oilseeds and other fibers. China also produces a variety of livestock products and is basically self-sufficient in food.

China is the country of origin of many important U.S. commercial crops and is a very important source of germplasm (plant and animal) and biological control agents, which are of great benefit to U.S. agriculture.

Climate

China is located predominantly in the temperate zone, although the far northern areas are in the sub-arctic zone and the southernmost areas are within the tropics. Monsoonal climate is a major influence in the south, while the north and west have a typical continental climate.

Summers are hot and humid throughout much of the country, with heavy rains in the eastern and southern regions. Winters are usually cold with little precipitation.

Previous U.S. visitors have noted that Beijing's climate is similar to that of Washington, D.C., while the climate between Shanghai and Guangzhou resembles that of the U.S. Gulf Coast. The climate in far northeastern China (such as in Heilongjiang and Jilin provinces) is similar to that of Minnesota with a long, hard winter.

It is difficult to generalize about western China because of the wide disparities in both local conditions and elevation. In the eastern and southern mountain ranges of far western China, there can be quick, major changes in temperature.

Rainfall varies from 25 inches per year in North China to nearly 80 inches in the Pearl River area near Guangzhou and Hong Kong. The summer months bring almost 70% of the annual rainfall. Much of western China, which is isolated by high mountain barriers, is semi-arid or arid.

Median Temperatures

Region (City)	Winter	Summer	Fall and Spring
Northeast (Harbin)	0 F	70 F	50 F
North China (Beijing)	23 F	78 F	55 F
Central China (Wuhan)	37 F	84 F	62 F
East China (Shanghai)	38 F	82 F	60 F
South China (Guangzhou)	57 F	83 F	73 F

Weights and Measures

China uses both its traditional units of measurement as well as the metric system. The following are the more common units of weight and measurement.

Conversion Equivalents and Definitions

China	Metric	English
1 mu	0.0667 ha	0.1647 acre
15 mu	1.0 ha	2.4711 acre
1 jin (catty)	0.5 kg =	.0005 ton 1.1023 lbs
1 dan (100 jin)	50.0 kg =	.05 ton 110.23 lbs
1 dun (ton)	1,000.0 kg =	1.00 ton 2,204.6 lbs
1 jin/mu	7.5 kg/ha	6.93 lbs./acre
Crops:	Lbs./bu.	1.0 bu. 1.0 ton
Wheat, potatoes, soybeans	60	0.02722 ton 36.743 bushels
Rye, corn, and sorghum	56	0.02540 ton 39.368 bushels
Barley	48	0.02177 ton 45.929 bushels
Oats	32	0.01452 ton 68.894 bushels
Cotton (480-lb bale)	NA	NA 4.593 bales
Cotton (500-lb running bale)	NA	NA 1.409 bales

Source: U.S.D.A., Economic Research Service

Electric Current

Voltage in China is 220 volts AC with 50 cycles, although some areas of Shanghai which were formerly foreign concessions still use 110 volts. The most common wall socket has two round prongs or three flat ones. It is best to leave electrical appliances at home unless they already have dual power settings or are essential to bring along. Only large hotels in major cities have adapter sets available for guest use.



Section II

Travel Preparation

11/10/22

11/10/22

Helpful Hints from other Travelers

The words of advice below are gathered from suggestions offered by U.S. scientists who participated in recent scientific exchanges with the People's Republic of China. These may help you prepare for your trip and to understand some of the cultural differences.

- Make sure the objectives of your exchange visit are perceived as mutually beneficial. This will promote goodwill and more successful long-term cooperation.
- Provide OICD with detailed information as early as possible in the planning process about the names and institutions you wish to visit and the technical areas of interest of the team. Don't try to travel to too many cities. China is a big country and you will spend too much time in transit.
- Develop relationships with counterparts before you arrive in China. Communicate with any contacts you have in China about your upcoming visit and objectives.
- Changing your itinerary once you arrive in China is impossible. Request changes before you leave the U.S. Your schedule will always be tight and you may be rushed from meeting to meeting. Communication between the field offices and the Beijing ministries can be minimal.
- Meetings can be limited to introductions, general briefings and tea drinking. Official representatives may only speak in general terms. Keep asking questions.
- Show appreciation and respect for local Chinese customs and your hosts' arrangements. Remember that many Chinese never have the chance to travel internationally.
- You may find it difficult to talk with your scientific counterparts, particularly if this is your first visit, because of the number of other participants, including high-level administrators, at each meeting. Try to establish some rapport and maintain contact after your return home. Try to talk with the younger staff members and graduate students since they can often provide innovative ideas and information.
- If you want to collect germplasm or biological control agents in China, you need to prepare extensive listings for approval before you get to China. Work with OICD closely on this.
- Bring your own data and maps because these are not always available within China, either in English or Chinese.
- Ask OICD for the names of past U.S. team participants you can contact to learn about customs and conditions to make your exchange visit as successful as possible.

Air Travel Reservations

Scientific exchange participants (except employees of the Soil Conservation Service) should make their own international flight reservations, and notify OICD of their flight information and stopovers if any.

Seating on trans-Pacific air routes usually fills up several months in advance, particularly during high season from March to November. Travelers are advised to make reservations early to insure seat availability. Chinese host ministries will not begin to make meeting arrangements until travel dates and flights have been confirmed.

Travelers flying to Beijing on U.S. air carriers must change planes in Tokyo/Narita or Hong Kong. Some travelers prefer to use one of these locations as an overnight stopover. American air carriers fly between Tokyo and Beijing only a few days a week, but Japanese and Chinese air carriers fly daily between these two cities.

International Flight Reconfirmation

All international travelers must confirm their return airline reservations at least 72 hours in advance of departure. Travelers with layover stops in foreign countries enroute to China must reconfirm their continuing international reservations immediately upon arrival in each country.

Reconfirmations are required in all foreign countries and for all international air tickets.

Ask the host ministry upon your arrival in Beijing to help reconfirm your departure reservations. If your airline does not have a representative office in China, ask your Chinese escort or the hotel business center to send a fax to Hong Kong or Tokyo to reconfirm.

Notification of State Department and U.S. Embassy in China

As stated in the August 23, 1982 Memorandum 1051-2 from the U.S. Secretary of Agriculture, all USDA employees traveling overseas for official purposes must request travel clearance from the Agricultural Counselor in each country.

OICD will send an advance FASTO cable to the U.S. agricultural offices in Beijing, Guangzhou and Hong Kong for each team traveling under the USDA scientific exchange program. A copy will be forwarded to the exchange team.

All American citizens traveling to China on U.S. government business must request clearance from the U.S. Department of State in Washington, D.C. before departure. OICD will coordinate the State Department Clearance paperwork for exchange program travelers. The Travelers Information Record (OICD Form 23) should be completed and returned at least two months in advance of departure.

Travel Documentation

All USDA employees (except Soil Conservation Service) traveling to China under the USDA scientific exchange program should have their agency prepare the necessary Travel Authorization Form (AD-202).

For accountability and Foreign Agricultural Service country clearance purposes, all USDA agency employees should include the following statement on their Travel Authorization Form, under Section 9, Purpose of Travel: "To participate in OICD-sponsored exchange with the People's Republic of China."

Travelers from universities and private institutions will be provided with a "non-funded" Travel Authorization Form for use in case of emergencies to identify the traveler as a member of an official U.S. Government team.

Visas

All visitors to China must have a valid visa to be granted entry. Visas are approved upon receipt of an invitation letter from the host ministry in China. OICD will request an invitation letter for each exchange team when full flight and schedule details are received. A copy of the invitation letter will be sent to the traveler for their reference.

The Chinese Embassy and consulates require ten working days to process visas. Allow at least three weeks to process your visa. Your passport must be current and the expiration date at least six months after your return from China.

Visas are valid for a stay of three months, and are valid for one visit beginning within three months of the visa issue date. A "single entry" visa will be issued unless a "double entry" or "multiple entry" visa is specifically requested for travelers continuing on to neighboring countries (such as Mongolia) and stopping over in China on their return.

Visa applications for USDA employees should be handled by their agency travel office. There is no visa fee for official passport applications.

OICD will help non-USDA employees apply for their visas. These travelers should request the P.R.C. Visa Application Form from OICD, and return two completed copies, with their tourist passport, two photos, and a \$10.00 money order made payable to the "Embassy of the People's Republic of China" to OICD by registered or overnight mail at least four weeks before departure. Money orders are the only form of payment accepted by the Embassy. OICD will return the passport by overnight mail when released two weeks later.

中 华 人 民 共 和 国
THE PEOPLE'S REPUBLIC OF CHINA

签 证 申 请 表
VISA APPLICATION FORM

1. 姓 _____ Surname	名 _____ Given name	中文姓名 _____ in Chinese (if any)	请 贴 照 片 Stick Photo Here
2. 国 籍 _____ Nationality	出生日期 _____ Date of Birth	年 _____ 月 _____ 日 性别 _____ Yr mth day Sex	
3. 出生地点 _____ Place of birth	职业 _____ Occupation		
4. 护照种类 _____ Passport Type	号 码 _____ No.	有效期至 _____ 年 _____ 月 _____ 日 Valid until yr mth day	
5. 工作处所 _____ Place of work	电 话 号 码 _____ Tel. No.		
6. 家庭住址 _____ Home address	电 话 号 码 _____ Tel. no.		
7. 来中国事由 _____ Purpose of Journey	邀请单位 _____ Host unit in China (for business only)		
8. 离 美 日 期 _____ Date of departure from U.S.A	拟 入 境 日 期 _____ Intended date of entry		
9. 拟在中国停留期限 _____ Duration of stay in China	入境后前往地点 _____ Places to visit in China		
10. 在华亲友 (此项只需探亲者填写) Relatives or friends in China			
姓 名 Name	国 籍 Nationality	职业及住址 Occupation and address	与申请人的关系 Relationship to applicant
_____	_____	_____	_____
_____	_____	_____	_____

我保证以上填写的全部内容属实。

I guarantee that the statement given above is true and correct.

申请人签字 _____ 填写日期 _____
 Applicant's signature Date of application

备 注 _____
Remarks

Health Precautions

Information on international health precautions can be obtained from the U.S. Public Health Service, local health departments, private doctors and travel clinics. USDA employees can get these shots through their agency health office.

Immunizations that are recommended for China, but are not required by either the Chinese or U.S. governments, are diphtheria, tetanus and polio. Some protection against viral hepatitis A may be offered by a gamma globulin shot. It is also recommended that travelers born after 1956 obtain a measles vaccination.

Malaria occurs in China's rural areas and many parts of southern China. Depending on the season and your destination, anti-malarial drugs, insect repellent, and other measures may be required to minimize contact with mosquitoes.

Immunization for Japanese B encephalitis (JE) is recommended for travelers who expect to stay in China during the summer months for longer than three weeks. At present, the JE vaccine is not available in the U.S., but may be obtained in Japan and Hong Kong.

Few Chinese have Rh-negative blood, so Chinese blood banks do not regularly store this blood type. Travelers with Rh-negative blood should consult their physicians before departure. China discourages travel by persons who are ill, pregnant, or of advanced age.

Common maladies afflicting travelers are respiratory problems, head colds, sore throats and upset stomachs. Diarrhea or constipation may also be a problem. Appropriate remedies should be taken along, as few cities in China have Western-style pharmacies stocked with drugs common in the U.S. Travelers should pack medications, prescriptions and other remedies in their hand luggage to cover the duration of their trip.

Foreign visitors who become ill in China are provided with the best medical care available in the country, and Chinese show great concern for their guests' health. Visitors requiring hospitalization will have a choice between Western or Chinese medicine. Hospital accommodations are spartan and the medical technology is not always the most up-to-date, but Chinese medical personnel are qualified and competent.

Sanitary conditions for travelers are generally very good in China. Although tap water is not potable, hotel rooms are supplied with vacuum flasks of boiled water. Check with your hotel to see if the ice has been made with purified or boiled water. Water purification tablets might prove useful for visitors traveling in remote areas of the country.

Travel Expenses

The USDA scientific exchange program with China is handled on a receiving-side-pays agreement whereby the host government covers the local expenses for visiting scientific exchange teams. The travelers are responsible for their own international travel costs, including international airfare and hotel costs enroute.

The Chinese host ministry will cover domestic travel expenses, including lodging, meals, ground transportation, sightseeing and domestic airfare for exchange program participants. Laundry, telephone calls and other personal expenses are the responsibility of the traveler.

Coverage begins upon arrival in one of three designated cities (Beijing, Shanghai or Guangzhou), and continues until the team departs from one of these cities. Expenses in Tokyo and Hong Kong for hotels and per diem, or train tickets between Guangzhou and Hong Kong, must be paid by the traveler.

Travel Vouchers

U.S. Government employees (except USDA Soil Conservation Service) are responsible for filing their own travel vouchers. Federal Travel Regulations authorize U.S. government employees to file travel voucher claims of approximately \$10.00 per day to cover incidental expenses when traveling in China on a receiving-side-pays agreement. Refer to the Federal Register, Vol. 55, No. 198, (October 12, 1990) for the Standard Rates and Regulations listing on pages 41535-41536.

Interpreters and Technical Vocabulary Lists

An interpreter/escort will be provided by the host ministry to accompany the team throughout their visit in China. The escort will handle all travel arrangements, interpret at meetings and make payment for the team's travel expenses.

Most interpreters have degrees in agriculture or English and are generally familiar with the general subject area of the team's visit. However, most interpreters will not be specialists in the team's specific field of study. Exchange teams are encouraged to compile and submit a technical vocabulary list to OICD for advance transmittal to their Chinese interpreter.

It is helpful to work closely with your interpreter when you arrive in China to review the terminology to be used to improve familiarity and reduce possible misunderstandings at meetings. Your interpreter is the key to productive and informative meetings.

Travelers may also forward biographical data to OICD for advance transmission to China.

Planning Your Itinerary

USDA scientific exchange teams should submit to OICD an outline of the team's objectives, participants, organizations and sites to be visited (if known) and flight details at least two months before departure for relay to the host ministry in China and the U.S. Embassy in Beijing. Travelers under the exchange program are reminded that the Chinese hosts will not make arrangements until after receiving flight arrival and departure details.

The more specific the topics or objectives can be, the more likely the host ministry will prepare an itinerary that meets the team's need. However, some organizations or sites may not be open to foreigners, so such visits may be impossible to arrange.

A proposed schedule will be sent by the Chinese host ministry approximately 2 - 3 weeks in advance of the team's arrival. Review the proposed schedule immediately and advise OICD by telephone or fax should any amendments be required. Changes can usually be accommodated if notification is received at least seven days in advance of arrival. Schedule changes requested after arrival are extremely difficult to make due to logistical and telecommunications limitations in China.

The Ministry of Agriculture (MOA) is the Chinese coordinating agency for the U.S.-P.R.C. Scientific and Technical Exchange Agreement in Agriculture administered by the U.S. Department of Agriculture. MOA will also coordinate arrangements with other ministries involved in the team's visit, including the Ministry of Forestry, Ministry of Water Resources, Ministry of Commerce and Chinese Academy of Sciences.

Advance Communication with Chinese Counterparts

If you are familiar with Chinese specialists in cities you would like to visit, communicate with them personally by letter or fax to indicate your upcoming visit to China under the U.S.-P.R.C. Scientific Exchange Program. Advise them that your visit is being arranged through the Chinese coordinating office in Beijing (see Ministry of Agriculture, "Key Contacts", Section I).

Indicate your visit objectives, the types of sites you would like to visit, and your appreciation of any assistance they can offer in arranging your local visit. In general, expenses in each area are paid by the local host organization or provincial ministry. Such advance communication, in addition to official contact through OICD, has helped many U.S. exchange teams have more successful visits.

If, during your visit, you learn about other institutes you would like to visit, ask your Chinese escort to try to arrange these additional meetings. Escorts try to accommodate team requests as long as they are logistically or politically possible.

Export Approval for Collections Made in China

Scientific exchange teams who expect to make collections in China of plant germplasm or biological control agents need to apply for advance export approval from the Chinese government through OICD. Collections made by foreigners will not be automatically exported. Collections that have not been previously reviewed are almost invariably denied export approval and will be confiscated.

U.S. teams should compile a list of germplasm or biological control agents they expect to collect in China, including a thorough listing of scientific and common names. Send this list to OICD at least two months before departure for fax transmission to the host Chinese ministry and the Agricultural Office, American Embassy, Beijing. The U.S. Embassy, Beijing provides invaluable, on-site assistance when approval problems do arise.

Teams should not expect to receive a written confirmation or export approval letter from the Chinese authorities. Moreover, submission of a proposed collection listing will not guarantee advance export approval. However, teams that have followed these steps in the past have had greater success in receiving export approvals for their collections.

The host ministry should advise each local host organization of the team's intention to make collections. Team leaders should work closely with their escort/interpreter and host scientists to develop a positive working relationship and open channels of communication. The assistance and approvals of these individuals often significantly influences the decision-making process and can lead to more expedient approvals and logistical arrangements.

U.S. scientists are encouraged to maintain a complete and accurate listing of all collections made in China for future verification, particularly if disputes arise or collections are confiscated. Your list should include:

- (a) A full listing of all collections made, using scientific and common names, date collected, location of collection site, and quantity collected;
- (b) The name, title, organization and address of Chinese scientists present at each field collection site;
- (c) The name, title, organization and address of Chinese authorities who take the collection for evaluation, and the date and place where the collection is submitted.

When collections in each geographical location are finished, the team leader should give a summary, including (a) and (b) above, to the escort for fax transmittal to the host ministry in Beijing for review and approval for export. Ask the escort to confirm when and where the laboratory evaluation and identification will take place. The necessary phytosanitary export formalities need to be secured in the most efficient manner possible, and the assistance of your escort can help speed this process.

All collections made in China must be individually evaluated and identified by Chinese authorities before export approval can be given. Most ministry officials will do all they can to assist exchange teams within the confines of government regulations. However, regardless of how much preparation work is done, some collections may not receive export approval before the team's departure, particularly if they contain restricted materials. Some collections are not approved until several months after the team's visit to China. Occasionally, some parts of any given collection may be held and never approved for release.

If all or part of your team's collection is confiscated for any reason, team members should request the name, title, work unit and address of the Chinese official who takes the collection, and note the date, city and location where taken. Give this information to OICD and the U.S. Embassy, Beijing for follow-up with the ministry involved.

U.S. Quarantine Considerations

It is the responsibility of each U.S. exchange team to secure all the necessary authorizations and import permits required by the U.S. Government to bring germplasm or biological control agents collected in China into the United States.

You must get a permit in advance to bring in certain plants and plant parts intended for growing. For information and permit applications, write:

Permit Unit

Plant Protection and Quarantine

USDA, Animal and Plant Health Inspection Service

6505 Belcrest Road, Hyattsville, MD 20782

You must also have a permit to bring in most organisms, cells and cultures, monoclonal antibodies, vaccines, and related substances, whether of plant and animal origin. This includes organisms and products used in the biotechnology industry. For information and a permit application, write:

Import/Export and Emergency Planning

USDA, Animal and Plant Health Inspection Service

6505 Belcrest Road, Hyattsville, MD 20782

To bring back endangered plant species, you also will need permits from the country of origin as well as the U.S. Fish and Wildlife Service. The importation of endangered animal or wildlife species is also restricted. For information on permit applications, write:

Federal Wildlife Permit Office

U.S. Fish and Wildlife Service

Washington, D.C. 20240

Refer to "U.S. Customs and Quarantine Regulations", Section V for more information.

What to Pack?

Travel light! One traveler offered the following suggestion: "Bring twice as much money as you reasonably need for gifts and half as many clothes." Trans-Pacific check-in luggage allowance is 66 pounds, but the inter-Asia travel limit is 44 pounds. Except for 12 pounds of carry-on baggage, you will be charged heavily for any excess baggage. Be sure to leave room for publications and purchases you will pick up in China.

Bring prescription medicines, prescription glasses, contact lens solution, mosquito repellent, vitamins, aspirin, stomach medicine, and other illness remedies as required. Travelers should also consider bringing sunglasses, sun screen and a hat for summer visits when it is extremely hot and the sun very strong. Women should bring along sanitary napkins or tampons as these are often unavailable or very expensive in China.

Western brands of toothpaste, shampoo, shaving cream, razor blades and other similar toiletry articles are available only in the gift shops in major hotels in China and are sold at inflated prices. If you use an electric razor or blow-dryer, be sure to pack a round-pronged adapter suitable for both 110 and 220 volts.

Fashion in China is changing, and the blue and grey cotton suits are no longer the norm. However, a casual and conservative wardrobe is the best suited and least conspicuous for a visit to China. Customary business and casual attire is appropriate. Although neckties are becoming more popular in China, they are not always worn. In summer, Chinese officials may even wear open-neck cotton shirts to formal banquets.

For summer travel, bring light cotton clothes. For men, shorts are sometimes acceptable on sightseeing outings and field trips, but most Chinese will wear long pants and short-sleeved shirts. Men should bring one suit for banquets or more formal meetings, but generally will find that slacks will be adequate for most meetings. For women, light-weight dresses, skirts or slacks are most appropriate. Women in China do not wear shorts outside their homes.

Comfortable walking shoes are essential. Take along a dressier pair of shoes for more formal functions. You may want to take along your own slippers or sandals to use in the hotel, since the ones provided are often too small for American feet.

For winter travel in the north where temperatures often fall below freezing, you should bring woolen clothes, a heavy top coat, extra sweaters, at least two pairs of thermal underwear and high boots. Some buildings are centrally heated, but many are not. Buildings are often damp and chilly, and can sometimes feel colder than outside. It is a good idea to layer your clothing so you can adjust to the varying temperatures inside and outside.

Business Cards

Business cards are ritually exchanged when introductions are made in China. This custom enables both sides to remember names and will provide a convenient record of people you meet on your trip.

Bring an ample supply of business cards to China. Approximately 200 cards may be required for a three-week visit. In your meetings with specialists and administrators, other research assistants, associates and support personnel may also be present. They will all want one of your cards. According to Chinese customs, it is most polite to use two hands when passing your card.

Your telephone and facsimile numbers, including area code, should be included on your card for ease in future communications. It is not necessary to have your name and address translated into Chinese since most research staff, especially younger ones, will be able to read and write basic English.

Gift Giving

Visitors to China are often confused about the subject of gift-giving. The U.S. Government does not encourage representatives to give gifts to foreign hosts, nor is it common practice to give large gifts in China. However, the presentation of tokens of appreciation, or pamphlets, information packets and publications about your agency or university are much appreciated by the scientists you will meet. Such small gifts will not imply any obligation for the Chinese side to give you gifts in return.

Small items bearing the name of your institution, city or state make excellent gifts for scientists or institute directors that have hosted meetings for your team. Items such as lapel pins, bookmarks, pens, bumper stickers, pendants or other small trinkets are possible gift ideas. It is not necessary to give gifts to all people present at each meeting. Gifts to those who are the leading representatives is sufficient.

You may want to give small gifts to individuals who have made special arrangements on your team's behalf. Items which are uniquely American, such as handicrafts or which bear American motifs, or books with photographs of your city or state make very good gifts for these individuals.

For escorts or interpreters, books or magazines which are not of a political or potentially sensitive content make an easy and very much desired gift for those who are English speakers. Remember your gifts should not be so generous as to imply an obligation for the Chinese recipient to return a gift to you.



Section III

Traveling in China

Section II

Section III

Chinese Customs Regulations

The Customs Declaration Form is the most important document you are required to fill out before entering China, and it will be given to you on your in-bound flight or train to China. You will need to show this form when you depart China. Keep it in a safe place, preferably with your passport.

You need to list any items of value, such as watches, cameras, jewelry, calculators, tape recorders or movie and video cameras, and all foreign currency you are carrying with you into China. These items may be imported duty free for personal use, but may NOT be transferred or sold to others in China.

All personal possessions taken into China must be taken out. Gifts and articles carried on behalf of others should be declared to the Customs inspector and are, therefore, subject to 100% duty upon your departure.

Foreign visitors to China are allowed to import four bottles of liquor and three cartons of cigarettes (600 cigarettes) with their personal belongings. Special permission is required to import and use a 16mm movie camera, but generally slides or other scientific materials brought into China for educational purposes do not require special permission.

China prohibits the import or export of the following items:

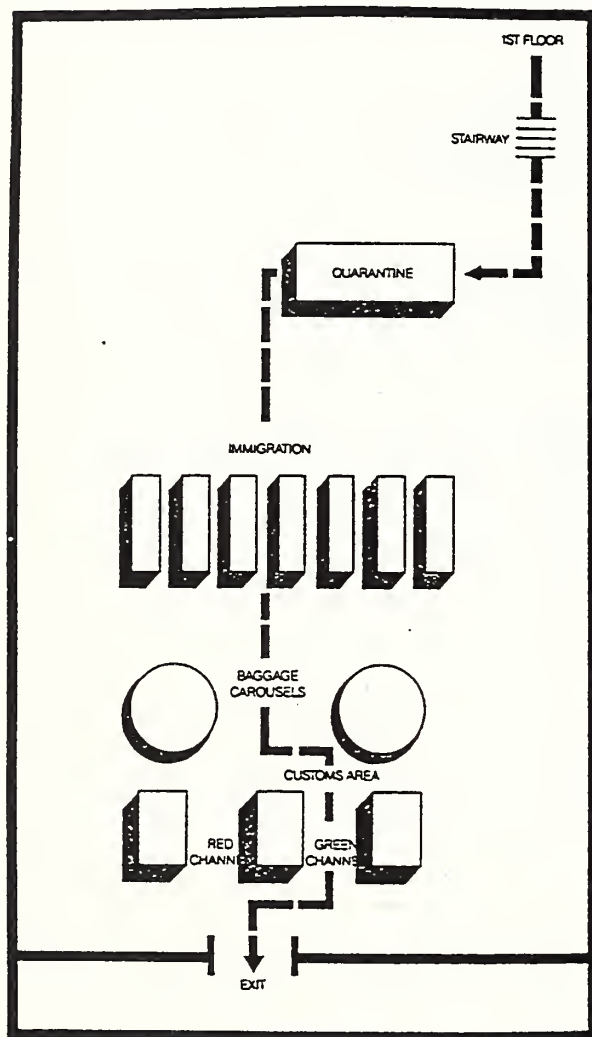
- (a) arms, ammunition, and explosives;
- (b) radio transmitter-receivers and principal parts;
- (c) Chinese currency ("renminbi");
- (d) books, films, records, tapes, etc., which are "detrimental to China's politics, economy, culture, and ethics";
- (e) poisonous drugs and narcotics of any kind;
- (f) infected animal or plant products; and
- (g) infected foodstuffs

Videotapes may be seized by Customs officials to determine if they violate prohibitions listed in item (d) above and may be held for several months before being released.

Arrival in China

Visitors traveling to China under the USDA scientific exchange program will be met at their port of entry (airport or train station) by a representative of the hosting Chinese ministry. The representative will be waiting outside the customs area with a sign displaying the U.S. team members' names and will accompany the team members to their hotel.

Beijing International Airport



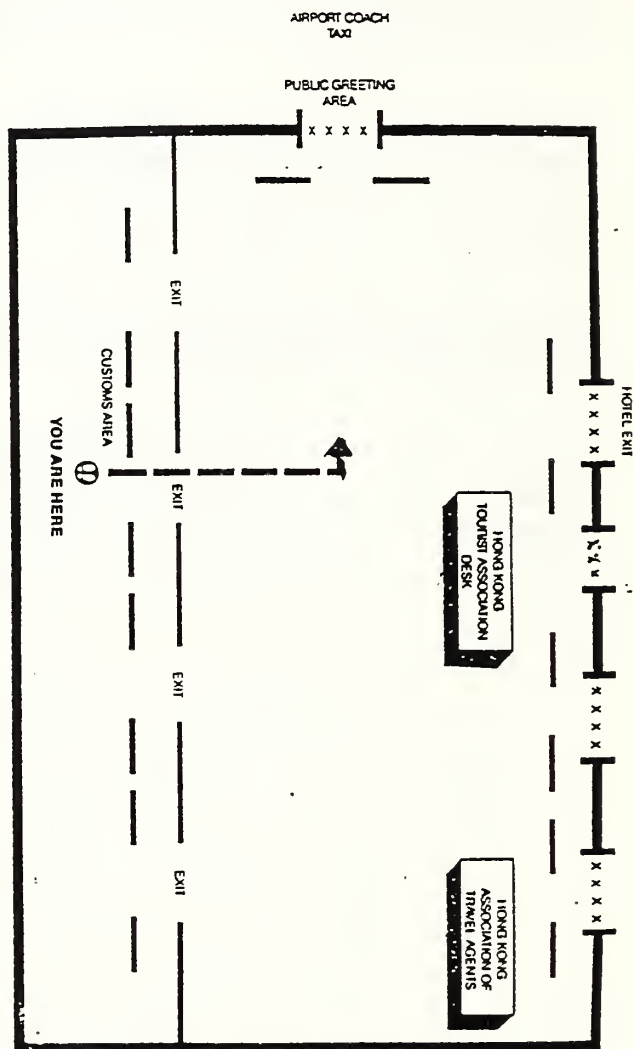
Arrival Information

When you have cleared Customs, a red copy of the customs form will be returned to you and you should keep and return this to the customs officers when you leave China.

Special Note

- Foreign currency may be exchanged at authorized agencies only. Unused Foreign Exchange Certificate (FEC) may be reconverted at the Bank of China in the airport by showing the money exchange receipt.

Hong Kong Kai Tak International Airport



出境登记卡

DEPARTURE CARD B 0868850

入境登记卡 ARRIVAL CARD

B 0868850

请用正楷填写
Please type or print

姓 Family Name		男 <input type="checkbox"/> Male	
名 Given Name		女 <input type="checkbox"/> Female	
国籍 Nationality	出生日期 Date of Birth		
证件号码 Passport No.			
偕行人 Accompanied by			
日期和航班号 Date and Flight No.	目的地 destination		
签名 Signature			

姓 Family Name		名 Given Name	
国籍 Nationality	出生日期 Date of Birth	Day 日	Month 月 Year 年
证件号码 Passport No.	职业 Occupation	男 <input type="checkbox"/>	女 <input type="checkbox"/>
中国签证号码 Chinese Visa No.	签发地点 Place of Issue	Male	Female
偕行人 Accompanied by			
在华地址 Address in China (Hotel)	接待单位 Host Organization		
日期和航班号 Date and Flight No.	签名 Signature		

检查员填 Official Use Only 证件种类

检查员填 Official Use Only

外公礼定职学访旅过乘团免 证件种类
W U Y D Z X F L G C T M旅客健康申明卡
PASSENGER'S HEALTH DECLARATION姓名 _____ 性别 _____ 年龄 _____
Name in full _____ Sex _____ Age _____国籍 _____ 职业 _____
Nationality _____ Occupation _____入境日期 _____ 交通工具名称 _____
Date of entry _____ Flight (Train) No. _____
1. 这次旅行来自何地及出发日期 _____
Date & originating place of departure _____2. 现如有以下症状, 请在该症状前划 "☑".
Please mark ☑ before the symptom if any now.

发烧	皮疹	咳嗽	咽喉痛	淋巴腺肿
<input type="checkbox"/> Fever	<input type="checkbox"/> Rash	<input type="checkbox"/> Cough	<input type="checkbox"/> Sore throat	<input type="checkbox"/> Lymph-gland swelling
呕吐	腹泻	黄疸	出血	
<input type="checkbox"/> Vomiting	<input type="checkbox"/> Diarrhoea	<input type="checkbox"/> Jaundice	<input type="checkbox"/> Bleeding	

3. 现在是否患有: 精神病、麻风病、艾滋病 (包括艾滋病病毒携带者)、性病、开放性肺结核和其他疾病?
Any illness now: Psychosis, Leprosy, AIDS (Inc. AIDS virus carrier), Venereal diseases, Active pulmonary tuberculosis and other diseases?

4. 如随身携带下列物品, 请在下列项目内划 "✓".
Please mark "✓" in the items of the following articles, if you bring any of them with yourself.

生物制品 _____ 血制品 _____ 旧衣服 _____
Biologicals _____ Blood products _____ Second-hand clothes _____

5. 旅游团名称
Name of travel group _____

6. 在华住址和接待单位
Contact address and host organization in China _____

SAMPLE

CHINESE CUSTOMS DECLARATION FORM

NAME _____

NATIONALITY _____ PASSPORT NO. _____

FROM/TO _____

NUMBER OF ACCOMPANYING CHILDREN UNDER 16 _____

HAND BAGGAGE _____ Pcs. CHECKED BAGGAGE _____ Pcs.

Please read the NOTE carefully before you fill in this form

ITEM	ENTRY		EXIT	
CHINESE & FOREIGN CURRENCIES	Description & Amount			
GOLD & SILVER ORNAMENTS				
TRIP NECESSITIES	BRAND	PIECE	BRAND	PIECE
CAMERA				
TAPE RECORDER				
VIDEO & MOVIE CAMERA				
OTHER ARTICLES DUE TO CUSTOMS PROCEDURES				
GOODS & SAMPLES	Yes/No	<input type="checkbox"/>	Yes/No	<input type="checkbox"/>
RECORDED VIDEO TAPE	Yes/No	<input type="checkbox"/>	Yes/No	<input type="checkbox"/>
PRINTED MATTER	Yes/No	<input type="checkbox"/>	Yes/No	<input type="checkbox"/>
ANTIQUES	Yes/No	<input type="checkbox"/>	Yes/No	<input type="checkbox"/>

DURABLE CONSUMER GOODS (PRICE>RMB50.00) AND GIFTS (TOTAL PRICE>RMB50.00)			
DESCRIPTION	BRAND	PIECE	CUSTOMS REMARK

IN ADDITION, _____ PIECES OF UNACCOMPANIED BAGGAGE
ARE TO BE IMPORTED THROUGH _____ WITHIN 3 MONTHS.

SIGNATURE: _____ DATE: _____

CUSTOMS REMARKS:

CUSTOMS ENDORSEMENT: _____

Currency and Money Exchange

No limit is set on the amount of foreign currency allowed into China, but the total value must be declared upon entry.

In 1980, the P.R.C. government introduced the Foreign Exchange Certificate (FEC) to replace the "renminbi" (RMB) for business transactions made by foreign visitors. FEC can be freely converted into foreign currency when leaving the country. Major hotels, stores, restaurants and taxis that cater to foreigners accept only FEC for payment, and will not accept RMB. As of August 1992, the U.S. Government exchange ratio was US\$1.00 = FEC 5.24.

Money exchange facilities are available at airports, hotels, "friendship stores", and offices of the Bank of China. Foreign visitors are required to show their passport when changing money and will be issued a receipt. Travelers will need to show their exchange receipts when converting FEC upon departure from China, and should keep this documentation with their passport or other safe place. FEC cannot be converted to foreign currencies outside of China.

Chinese currency is graduated in size and color depending on the denomination value. Paper bills are issued in "yuan" notes of 100, 50, 10, 5, and 1 "yuan" (similar to our dollar) and "jiao" (dime) notes, which come in .50 and .10 denominations. Coins come in .05, .02 and .01 "fen" (cents) denominations. When speaking, Chinese tend to refer to "yuan" as "kuai" (for example, "The price is two kuai"), and to "jiao" as "mao", which serves to further confuse the foreign traveler to China.

Foreign travelers may sometimes receive RMB as change for purchases made at local stores, even though they used FEC as payment. (RMB can be distinguished by the lack of English printing on the bill.) Try to use any local RMB you do collect as payment for items purchased in smaller stores and at street markets. Try not to accumulate too many local RMB notes during your trip because they are not convertible into FEC or other foreign currencies.

Travelers are advised against engaging in black market money exchange. It is illegal, impractical and dangerous.

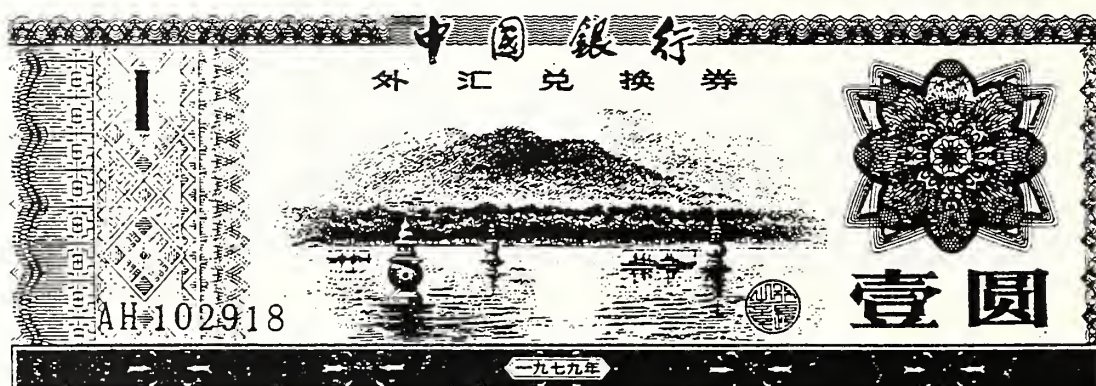
Bank Hours

Bank of China branch offices are open Monday through Friday from 9:30 a.m. - noon and 2:00 p.m. - 5:00 p.m., and Saturday from 9:00 a.m. - noon. Money exchange counters in hotels and "friendship" stores are generally open for longer hours, and are much more convenient for foreign visitors to use. The rates are similar in all locations.

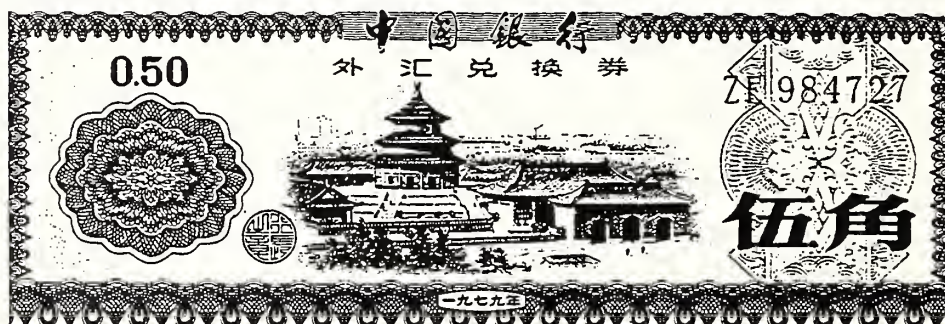
5.00 yuan



1.00 yuan



50 fen or
0.50 yuan



10 fen or
0.10 yuan



2 fen or
0.02 yuan
(coin)



Traveler's Checks and Credit Cards

Traveler's checks from leading banks and issuing agencies are negotiable in China. You get a better exchange rate for traveler's checks than cash. Travelers should consult with their bank before departing the U.S. to be sure that their brand of travelers check will be accepted in the People's Republic of China. (Do not confuse the P.R.C. with the "Republic of China" in Taiwan.)

Visitors to China under the USDA scientific exchange program are encouraged to cash only enough traveler's checks to cover their personal expenses, such as telephone calls, laundry, hotel movies and personal purchases. All lodging, meal and transportation expenses associated with their exchange visit will be paid directly by the hosting ministry.

Major credit cards can be used only at joint-venture hotels and "friendship" stores in major cities, and are not widely accepted in China. Credit cards currently accepted are American Express, Visa, MasterCard and Diners Club.

Telecommunications

Making telephone calls within China requires a great deal of patience as it can often take several tries before a line will connect. Have a Chinese speaker assist you with these calls. All parts of China are in the same time zone.

International calls may be made from most hotels; however, in remote regions, telephone service may not be available in every guest room. Check with the front desk staff for the current international telephone rates and service charges for each call. It is usually cheaper to call collect, but rates are high for all calls placed from China. There is a 13-hour time difference between Beijing and Washington, D.C. during standard time, and a 12-hour difference during daylight saving time. For example, midnight in Washington, D.C., is noon the following day in Beijing.

Facsimiles or cables can be sent to the U.S. through the business centers of most hotels. These centers also provide secretarial and photocopying services for a fee. Stamps can be purchased conveniently at the postal counter, gift shop or front desk of your hotel. Stamps may not be self-adhesive, but glue is available. Airmail letters normally take five to twelve days to reach the U.S.

You may want to bring some reading materials with you to China. English language publications such as Newsweek, Time, International Herald Tribune, and The China Daily are available in hotel gift shops in major cities. A small transistor or shortwave radio can also be very useful. Broadcasts can be picked up in most parts of China from Voice of America (VOA) and British Broadcasting Corporation (BBC).

Transportation

The Civil Aviation Administration of China (CAAC) oversees all civilian flights in China, but regional, provincial and municipal carriers are responsible for providing flight services. It is difficult to secure reservations due to high demand and limited flights, and reservations must be made at least one month in advance. Despite the computerization of reservation systems, purchasing or even changing a ticket often entails someone having to wait in line. Bookings cannot be changed over the telephone.

Chinese domestic flights do not have "non-smoking" sections. They also do not have strict regulations on the placement of carry-on luggage. Smaller aircraft are often delayed by adverse weather conditions and limited guidance equipment. Flight attendants will pass out refreshments during the flight, and on longer flights, a box lunch may be served on board. If you are traveling to a remote region, you may participate in an "in-flight meal" at the dining room of an intermediate airport. Photography is not permitted on planes, either in flight or on the ground. Pictures may be taken in and around the terminal, however.

If you travel by long-distance train, you will probably be traveling in a sleeping compartment, with four people to a room. Meals are served in the dining car, and tea and hot water are brought to the compartment by service personnel. Trains can stop frequently and it may be difficult to sleep on board. Washrooms are located at either end of the car.

You will be traveling by car or minibus in metropolitan or suburban areas. In large cities, these vehicles will be air-conditioned, but in remote areas these can be quite uncomfortable if they are not. Travelers visiting China under the scientific exchange program will have all local transportation to meetings, site visits and other functions arranged for by their host ministry.

Taxis are for hire at all joint-venture hotels and can often be a very economical and convenient way for an individual or small group to make extra visits during their free time. For a pre-arranged fixed rate, drivers will wait while a visitor shops or goes sightseeing. As it is difficult to flag down a taxi on the street, travelers should have the driver wait if their destination is not near a large hotel or taxi stand.

Travelers are strongly advised against renting cars in China because of local driving regulations and the sheer number of motorists, bicyclists and pedestrians on Chinese streets. Visitors may want to try taking a city bus during their free time if they are accompanied by someone who speaks Chinese. Public buses are extremely crowded and the experience is not recommended for those who are faint of heart. Fares are paid upon boarding and are based on the distance to be covered.

Accommodations

The host ministry will arrange all hotel accommodations while the team is in China. Scientific exchange teams usually stay at the Jianguo Hotel in Beijing and the Dongfang Hotel in Guangzhou (Canton), but this is always subject to change. Hotel names for other cities will not be advised until your arrival in that city.

Jianguo Hotel
Jianguomenwai, Beijing
Tel: 011-861-500-2233
Fax: 011-861-500-2871
Telex: 22439 JGHBJ CN

Dongfang Hotel
Liu Hua Road, Guangzhou
Tel: 011-8620-669900
Fax: 011-8620-662775
Telex: 44439 GZDFH CN

Hotels vary tremendously, but most hotels serving foreign visitors have similar amenities. The rooms are clean and functional, containing twin or double beds, a desk, easy chair, bureau, closet and bathroom. Most rooms have telephones, radios and televisions, except in very remote regions where TV sets may only be in the lobby and the room lighting is dim.

The better hotels in China are centrally heated, but the smaller ones may have only portable electric heaters. If hotels are not air-conditioned, electric fans are provided. In remote regions in south China, mosquito net coverings for beds may be installed.

In most hotel rooms there is a flask of boiled cold water, a thermos of hot water, some tea bags and tea cups. Towels and bed linen in joint-venture hotels are changed daily, but in smaller hotels in more remote areas, this may not be the case.

Laundry service in most Chinese hotels is generally good, but you should allow two full days for your clothes to be returned. Sometimes laundry is to be left in your room for pick-up. In smaller hotels, there may be a service desk on each floor to leave and pick-up laundry and book overseas telephone calls. Most hotels have money exchange counters, postal service desks and shops where gift items, refreshments and sundries can be purchased.

Liquor, Coffee and Tobacco

Western alcohol, wine and cigarettes are available in most tourist cities. China also produces a variety of spirits, beers, and rice and grape wines. Coffee and tea are available at most hotels. Bring along your own instant coffee if you have a particular preference.

Smoking is very common in China, and non-smoking areas are rarely found in public places. Most men in China smoke, but women rarely smoke in public. It is considered impolite to complain about someone smoking near you. Smokers may wish to bring their own cigarettes to China since most Westerners find Chinese cigarettes too strong for their tastes.

Meals

Under the exchange program, meals are provided by the host ministry and will include a Western breakfast and Chinese-style lunch and dinner. Food is guaranteed to be more than adequate, and often more that you can finish. You may want to bring your own snacks, such as candy, granola bars or instant coffee, as a break from Chinese food. These are sometimes hard to find.

Hotels have Western-style breakfasts with fruit, juice, eggs, toast, and coffee. Chinese breakfasts are sometimes also available. In north China, breakfast consists of a rice porridge served with pickled vegetables, pork, peanuts and condiments. Scallion pancakes, fried "donuts", sweet soybean milk and noodle soup are also part of the northern breakfast. In the south, sweet tea cakes and meat dumplings, called "dim-sum", are served.

All lunches and dinners will be served 'family style' for the group to eat together and will include a pre-arranged menu of Chinese dishes, soup, rice and beverages. Visitors who don't want to use chopsticks should bring their own fork and knife, as these often are not available in hotels outside the major cities.

Chinese will often personally serve you food to be gracious hosts. You may protest mildly, but it is impolite to refuse a gesture like this. If you can't eat the food served, just leave it on your plate. Resist following the "clean plate club" rule in China. If you keep eating, your hosts will continue to serve you, presuming that your eager eating means that you are still hungry. They may even feel compelled to order extra food.

In each locality, you will be hosted to at least one Chinese banquet. Usually nine to twelve courses are served, accompanied with wine, beer or liquor (sometimes the potent "Maotai"), as well as carbonated beverages and fruit juices. Be sure to pace yourself. A banquet is a good time for relaxed conversation. Your counterparts may be more candid over a meal. These conversations can sometimes provide an insight into possibilities or constraints that can influence future cooperation. Banquets are considered part of the process of doing business.

Your Chinese host will make the first toast, usually after the first course has been served, and will make other toasts during the dinner. The U.S. team leader should reciprocate, usually one or two courses later, with a toast to the "history of cooperation between the U.S. and China in agriculture, the friendship between the Chinese and American people, and the continuation of exchanges in the future". As guests, you should make the first move to leave the dining area after the meal is finished.

At your own discretion, you may decide that a return banquet is a gracious way of expressing appreciation. Ask the Embassy staff how such an event can be arranged. Travelers should remember that they will need to use personal funds to host this event.

Effective Communication at Briefings

Asians and Americans differ in the way they seek to convey and obtain information, and this is particularly true in China where political constraints have previously limited discussions. American scientists who are accustomed to a frank interchange of ideas may be disappointed by the Chinese preference for more generalized introductions, followed by abbreviated question and answer sessions.

Institute briefings often only describe facility size, organizational structure and topics of research, without necessarily detailing research work and findings. Printed materials and informational handouts are usually minimal. The highest-ranking Chinese representatives from the institute will speak for the group, with technical specialists responding only when called upon to answer specific questions.

You may feel you spend more time making small talk and drinking tea than actually exchanging information. Try to gain as much information as you can from these general briefings, reading between the lines, if necessary, to determine what information might or might not be available. Ask questions from different angles if you are not getting the answers you want.

If your questions are not answered during the meeting, ask them again in a more informal venue, such as during a lab tour, in a small group conversation, or over a meal, when discussions are considered more informal and less restricted. Try to converse privately with some of the specialists, even if their spoken English may seem limited. The level of their written comprehension is usually much higher.

Americans should try to remember that, according to Chinese custom, it is considered far better to leave a question unanswered than to offend someone by directly saying "no" in response to an enquiry. It is also considered better to give a vague reply than to "lose face" by saying you don't know the answer or can't reply to a given question. People in China are sometimes also uneasy about providing information in a public setting, especially if the information might later be considered sensitive or of a restricted nature.

Refer to reprinted chapter from, The Traveler's Guide to Asian Customs and Manners, in Section V of this book for more details on Chinese cultural norms.

Contacts and Networking

In China, the concept of "guan-xi", or your network of interpersonal contacts, is stressed as the best means to facilitate and achieve work goals. The orientation is not just on completing immediate program tasks and requirements, but on developing long-lasting, cooperative relationships that can provide extended benefits to both sides over the long run.

American scientists interested in pursuing cooperative work in China should keep this long-term orientation in mind. Those scientists who have been most successful in the past in achieving project goals have made a serious commitment in time, energy and funding to developing projects in China, and have often devoted considerable effort to nurturing contacts that could facilitate their project goals. Getting results in China usually requires more time than available during a short-term exchange visit.

Chinese scientists rarely travel overseas, and, therefore, can sometimes feel that foreign scientists are the only ones who benefit from scientific exchange visits. U.S. scientists should try to make their Chinese counterparts feel that both sides benefit from exchanging information, knowledge and expertise.

To 'break the ice', consider providing the Chinese institutes you visit with information about your research area and other publications that might be of interest. Try to determine what additional information they need and send these after your return home. This gesture of help may encourage the Chinese side to provide you with more information, and may lead to future exchanges or cooperation which can be of benefit to both sides.

Future Cooperation

Try to identify institutes or scientists that are pursuing work in your research area and that might be interested in pursuing future collaborative work. Discuss the possibilities while you are still in China with a view to preparing a joint project proposal. Encourage them to submit a proposal to the Chinese Ministry of Agriculture (see "Key Contacts", Section I) for a return exchange visit of up to three weeks through the U.S.-P.R.C. Scientific and Technical Exchange program, which would be coordinated and funded by OICD.

You also may want to explore opportunities for collaborative research funding from your agency or other organization such as the National Science Foundation. OICD also accepts applications for collaborative research funding from U.S. scientists who are involved in international joint research projects. Copies of the International Collaborative Research Guidelines are available upon request.

Chinese Phrases

In 1979, the Chinese government adopted the "pinyin" system for transliteration. Under this system, Chinese words (or characters) are Romanized for oral and written communication. Each sound in Chinese has at least four tones, so a word spoken without the proper accent can have more than one meaning.

The following are some common Chinese phrases which may be useful during your visit. Ask a Chinese speaker to read them for you and adjust the pronunciation notations to best meet your needs.

English	Pinyin	Pronunciation
Hello	wei	way (on telephone only)
How are you?	ni-hao-ma?	nee-how-ma?
I'm fine, and you?	wo-hao, ni-na?	wo-how, nee-na?
Good morning	ni-zao	nee-zow
Good night	wan-an	waan-an
Goodbye	zai-jian	zai-gin
Please	qing	ching
Thank you	xie-xie	shie-shie
No, thank you	bu xie	bu shie
Excuse me	dui-bu-qi	dway-bu-chi
Let's go!	zou-ba!	zo-ba!
Yes	shi	shure
No	bu-shi	bu-shure
Want	yao	yow
Don't want	bu-yao	bu-yow
As you please	sui-bian	sway-bien
Good	hao	how
Bad	bu-hao	bu-how
Bathroom	ce-suo	suh-swor
Hotel	lu-guan	lu-gwan
Restaurant	fan-dian	faan-dien
Eat	chi-fan	chur-faan
Delicious	hao-chi	how-chur
Cheers (for drinks)	gan-bei	gaan-bay
America	mei-guo	may-gwo
American people	mei-guo-ren	may-gwo-ren
China	zhong-guo	jong-gwo
Chinese people	zhong-guo-ren	jong-gwo-ren
Relationship (work)	guan-xi	gwaan-shee

Shopping

Most major Chinese cities have "friendship stores" which sell foreign-made or export items. The sales personnel in friendship stores generally speak limited English. The stores in Beijing, Guangzhou and Shanghai provide wrapping, packaging and shipping services, but at a high cost.

Prices of goods are about the same in the friendship stores as in other department and specialty stores in China. Items such as jewelry, expensive handicrafts and silk may only be available in friendship stores or hotel gift shops.

The most popular purchases are handicrafts, such as wood carvings, cloisonne and scrolls, Chinese jackets and caps for men, silk clothing for women, embroidered clothes for children, paintings, and embroideries on silk. If you see something you like, buy it. You might not find it later in another store.

If you are buying something in a "free market" or from a street vendor where prices are not displayed, bargaining is the norm. If the merchant seems willing to negotiate, suggest a lower price than you expect to pay and then bargain up to a compromise price. Products in friendship or department stores are sold at fixed prices. If you try to bargain, it will only create embarrassment for you and the salesperson.

Antiques can be purchased in friendship stores and other specialty shops. Antiques must be approved for export and display a red wax seal, either on the product or affixed by Chinese Customs after the sale. Antiques without a red seal will be confiscated upon departure.

Sightseeing

The host ministry for scientific exchange teams will arrange for sightseeing programs to the more famous sights in each city or area. If the mission of your visit precludes any type of sightseeing, be sure you inform OICD before your departure.

It is to your advantage to buy at least one good travel guide to China and read it before your arrival in China. One of the most comprehensive publications is China: A Travel Survival Kit, by Lonely Planet Publications of Australia and is available in most large book stores. This guidebook provides a comprehensive overview of China's history, culture, economy and agricultural sector, and gives detailed information on hotels, restaurants, shops and sights to visit in each city. It also includes useful information on what to pack and a candid description of some of the challenges of traveling in China. Refer to the lists in "Suggested Readings", Section V, for titles of other publications that might help you prepare for your trip.

International Travel Considerations

Foreign visitors are cordially received by their Chinese hosts, and you can expect a similar cordial reception. Please bear in mind that you are a representative of the U.S. government, and remember the following points while traveling in China:

Carry only essential forms of identification.

Photocopy the data page of your passport and keep it in a safe place, separate from your passport. If your passport should be lost, stolen or kept overnight by foreign government officials, you will still have a record of this identification. Do the same with the "Key Contacts" list of OICD and U.S. embassy personnel included in Section II. Give a copy of this list to your staff and family.

If your visit will be longer than one month, register with the American Embassy in Beijing. Give them your local address and expected length of stay in case of emergencies.

Do not engage in private currency transactions with citizens in foreign countries.

Foreign tourists who engage in improper activities may be detained by the Public Security Bureau for questioning.

Refrain from initiating conversations on politics in China.

It is considered disrespectful to make negative remarks about any political party or government official, including your own. Chinese citizens who have dealings with foreigners are supposed to report the contacts to their work unit or Public Security Bureau.

Photography

You are usually free to photograph almost anywhere, although photography is prohibited from aircraft and bridges, and in harbors and near borders. Many Chinese may not wish to be photographed at all, so you should ask their permission before photographing individuals. Use discretion when taking pictures and ask your escort when in doubt.

You should pack an ample supply of film, flashbulbs and batteries since prices for these items can be very high in China. Both Kodak and Fuji 35mm film are sold in China, but can only be purchased in hotel gift shops or friendship stores. There is no problem taking film out of China for processing, but you may wish to carry your film in a lead-lined film bag to prevent any damage from X-ray machines in airports enroute to and from China (particularly Hong Kong).



Section IV

Returning from China

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Returning from China

Chinese Customs Regulations for Departure

Travelers should have their Departure Card filled out and ready for presentation to the immigration officials when they arrive at the airport or train station for departure. After clearing immigration, you will need to present the Customs Declaration Form you completed upon arrival to the Chinese Customs officials. Be sure that all items listed on the Customs Declaration Form are still in your possession and that they are within easy reach, in case a Customs official requests to see them.

The export of the following items is prohibited:

- (a) valuable cultural relics and rare books relating to Chinese revolution, history, culture and art;
- (b) rare animals and rare plants and their seeds; and
- (c) precious metals and diamonds and articles made from them.

Antiques approved for export must display a red wax seal.

International Airport Taxes

All international travelers must pay an airport tax upon departure from each country. In the U.S, this tax is included in your ticket price. At other international airports, the tax must be paid in cash in local currency. International airport tax rates in U.S. dollar equivalents are as follows:

Japan	US\$18.00	Pay at departure concourse vending machine
China	US\$12.00	Pay cash at ticket counter
Hong Kong	US\$20.00	Pay cash at airline check-in counter

Travelers to Hong Kong who hold U.S. Government "Official Passports" can be exempted from paying Hong Kong departure tax if they complete an application form. Go to the "Departure Tax Information Counter" at the rear of the check-in area (end of aisle E) prior to check-in and show your passport to receive the appropriate documentation.

Train Travel between Guangzhou and Hong Kong

Exchange teams traveling between Hong Kong and Guangzhou, P.R.C. on the Kowloon-Canton Railway (KCR) must pay cash for these international tickets (approximately \$25.00) upon arrival at the departure city. OICD will assist team members to reserve tickets through the host ministry in China or the American Consulate in Hong Kong. Reservations must be made well in advance and cannot be changed.

U.S. Customs Regulations

All articles acquired abroad and in your possession at the time of your return must be declared. Importation of the following items is prohibited:

- (a) Chinese firearms and unlicensed Chinese shotguns;
- (b) dressed or undressed fur and skin of ermine, fox, kolinsky, marten, muskrat and weasel;
- (c) skin and fur of other endangered species, such as the Siberian tiger; and
- (d) Chinese products that fail to meet U.S. safety, labeling, food and drug standards.

U.S. Quarantine Regulations

The U.S. Department of Agriculture places limits on items brought to the U.S. from foreign countries because of the possibility that they might harbor foreign animal and plant pests and diseases that could seriously damage America's crops, livestock, pets and the environment. Because of this threat, you are required to declare any meats, fruits, vegetables, plants, animals, and plant and animal products you are bringing into the United States.

When returning from abroad, you will be given a Customs form on which to declare your agricultural products. Your declaration must cover all items carried in your baggage and hand luggage. You will also be asked to indicate whether you have visited a farm or ranch outside the U.S.

You must get a permit in advance to bring in certain plants and plant parts intended for growing. You may bring in some fruits, vegetables and plants without advance permission, provided they are declared, inspected, and found free of pests. A permit is also required for most organisms, cells and cultures, monoclonal antibodies, vaccines and related substances of plant or animal origin.

You may not bring in any soil, earth or sand, as these may harbor soil-borne organisms that may threaten both plants and animals. Regulations prohibit the importation of fresh, dried and canned meats and meat products, and restrict or prohibit you from bringing wild animals and endangered animals and their products, live animals and birds.

Refer to "Export Approval for Collections made in China", Section II for a complete address listing of U.S. Government agencies which issue these import permits.

Trip Report

All teams are requested to submit a trip report to OICD one month after the team's return. Copies of trip reports are exchanged with the Chinese side, so team members may wish to send an amended version for transmittal for China. Trip reports are also distributed to other U.S. scientists upon request, unless otherwise restricted by the team members involved. In addition, the trip report is used as a tool for program evaluation and funding decisions.

Describe in detail the accomplishments of your visit, the possible applications of newly-acquired information, and any benefits resulting to U.S. agriculture as a whole. Include recommendations for follow-up action the team feels would be beneficial or necessary. If the team has extra slides from their visit, the inclusion of several slides with the trip report is always appreciated.



Section V

Suggested Readings and Recent Articles on China

Section 7

Revised and
enlarged
edition of 1902

Suggested Readings

* indicates copy on file at OICD

General Information on International Travel

Traveler's Tips on Bringing Food, Plant and Animal Products into the United States
(pamphlet) *

Department of Agriculture, Animal and Plant Health Inspection Service, Washington, D.C.
20250

Know Before You Go: Customs Hints for Returning U.S. Residents (pamphlet) *

Department of the Treasury, U.S. Customs Service, Washington, D.C. 20041

Your Trip Abroad (pamphlet) *

Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20420
(\$1.00)

A Safe Trip Abroad (pamphlet) *

Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20420
(\$1.00)

Traveling in China

China: A Travel Survival Kit, Joe Cummings and Robert Torey, Lonely Planet Publications,
Australia, 1991 (third edition) *

Hong Kong, Macau and Canton, Lonely Planet Publications, Australia *

The China Guidebook, Eurasia Press, New York *

Fodor's Guide to the People Republic of China, New York

Guide to the People's Republic of China, Japan Air Lines, Tokyo

Journey through China, National Geographic, Washington, D.C.

Nagel's Encyclopedia Guide: China

Riding the Iron Rooster: By Train Through China, Paul Theroux, G. P. Putnam's Sons, New
York, 1988

China's Agriculture

Agricultural Reform and Development in China, Sixth Colloquium Proceedings, IDEALS, Inc., Beltsville, Maryland, 1990 *

China Agricultural Yearbook, 1991, Agricultural Publishing House, Beijing, 1990 *

China Business Review, U.S.- China Business Council, Washington, D.C. (bi-monthly magazine)

China: Agriculture and Trade Report: Situation and Outlook Series, U.S. Department of Agriculture, Economic Research Service, Washington, D.C., 1991 *

China's Livestock Sector, Francis Tuan, U.S. Department of Agriculture, Economic Research Service, Washington, D.C., 1987 *

Chinese Publications in the Collections of the National Agricultural Library: A Bibliography, U.S. Department of Agriculture, Washington, D.C., 1989 *

Feeding A Billion: Frontiers of Chinese Agriculture, Sylvan Wittwer, Yu Youtai, Sun Han and Wang Lianzheng, Michigan State University Press, East Lansing, 1987 *

Institutional Reform and Economic Development in the Chinese Countryside, edited by Keith Griffin, Sharpe, New York, 1985

General Information on China

Cambridge Encyclopedia of China, edited by Brian Hook and Denis Twitchett, Cambridge University Press, U.K. 1991 (second edition)

China: A Country Study, Federal Research Division, Library of Congress, Washington, D.C., 1987

China Briefing 1991, William A. Joseph, The Asia Society, New York, 1991

Mao's China--A History of the PRC, Maurice Meisner, The Free Press, New York, 1977

Mao's People--Sixteen Portraits of Life in Revolutionary China, Michael B. Frolic, Harvard University Press, Cambridge, 1980

The Rise and Splendor of the Chinese Empire, Rene Grousset, University of California Press, Berkeley, 1970

Alive in the Bitter Sea, Fox Butterfield, Bantam Books, New York, 1982

cramps and vaginal yeast infections. It's also wise to bring a thermometer.

Toiletries: Shampoo, deodorant, toothbrush and toothpaste, soap powder or liquid for washing clothes, a portable clothesline that can be strung over a bathtub, a shower cap (most first-class hotels furnish plastic shower caps), tissues (always carry some, as public washrooms do not have toilet paper), and moist towelettes.

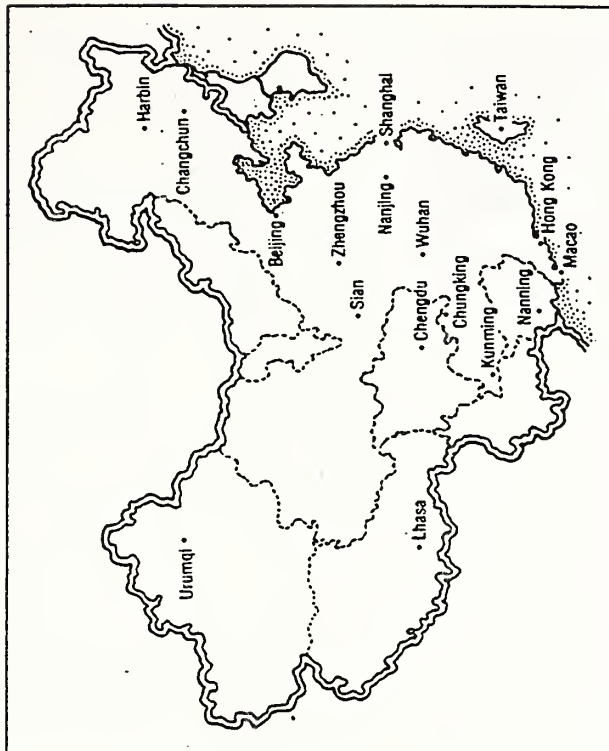
Supplies: A flashlight with batteries and a hair dryer (if you're about to buy a new one, choose one that works on both 110 and 220 volts; if not, bring the one you have and ask for a converter at your hotel—most hotels have an ample supply of converters).

As Glinda, the Good Witch, helped Dorothy maneuver through the mysteries of Oz, we hope to enhance your travels to Asia—because you'll be familiar with the customs and manners.
Bon voyage.

ELIZABETH DEVINE
NANCY BRAGANTI

Source: *The Traveler's Guide to Asian Customs and Manners*, Elizabeth Devine and Nancy Braganti, St. Martin's Press, New York 1986

CHINA



◇ Until recently, China, home to a quarter of the world's population, was a vast mystery to most Westerners. Many of us knew little about China beyond the suspect information derived from old Rita Hayworth movies. In the mid-1970s all that changed, when relations between the Western countries and China were normalized. Now the couple down the street is almost as likely to vacation in Beijing as Paris. Everyone, from presidents to rock stars to plumbers, has been photographed in front of The Great Wall.

What travelers have discovered is an ancient and awesome civilization. Who invented paper? Who probably invented pasta? Who developed methods of constructing houses that would sway in an earthquake but not collapse?

In the modern world of millions of blue-and-gray-clad Chinese

bicycling to work through crowded cities, Premier Deng Xiaoping's moves toward a freer economy have led to even greater contact between China and the West, as the businessperson stands next to the tourist in the line for a visa.



GREETINGS

- Remember that in Chinese names, the family name always comes first (e.g., in the name Chen Hua, Chen is the family name). Refer to persons as "Mr.," "Mrs.," or "Miss" with the family name (Mr. Chen, Miss Chen, etc.). Only family members or close friends use first names. Keep in mind that women don't take their husbands' family names when they marry; they keep their own family names.

- Don't use official titles in social conversation. Use "Mr.," "Mrs.," or "Miss."

- When you visit communes, theaters, factories, or schools, people may clap in greeting. Clap in return.

- In cities such as Beijing or Shanghai and in business situa-

tions, expect the Western greeting of a handshake. Wait for Chinese to extend a hand first, as not everyone uses this gesture.

- Note that relatives are called by their relationship to you, i.e., second-aunt-older-than-my-father. They will tell you what to call them.

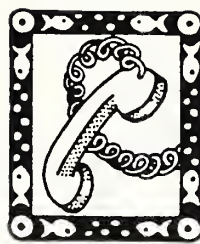
- Be aware that the Chinese use nicknames with each other, i.e., they add the prefix *xiao*, meaning "small," for short or young people, and *lao* for older people. As a Westerner, don't use these terms of endearment unless you are a very close friend.

- Use *Tongzhi* (tong-ji, with "i" as in "milk"), meaning "comrade," as a polite form of address for all Chinese people, including service people.

- Don't kiss when saying "hello" or "good-bye," even with close relatives.

foreigner criticize your own government.

- Don't refer to the country as "Mainland China," "Red China," or "Communist China." Call it the "People's Republic of China." Refer to Taiwan as the "Province of Taiwan," never the "Republic of China."



TELEPHONES

- Be aware that very few people have phones. The few that exist are usually in apartment buildings—one phone for the entire building. Phones usually don't work well. Connections are frequently bad. After 20 minutes of silence, the phone will automatically be disconnected, so if you're waiting for someone, keep talking.

- Look for public telephones, which are free, in hotels, in Friendship Stores, and at the International Seamen's Club. There aren't any on street corners.

- Be conscious that no one in China is expecting a phone



CONVERSATION

- Expect the Chinese to ask the following questions in the following order:

1. Where are you from?
2. How old are you?
3. Are you married?
4. How much money do you make?

If you decide to answer number 4, explain how much such items as rent, food, and clothing cost in your home country.

- Good conversation topics: personal questions, such as those above; sights you've seen and sights the Chinese would advise you to see; Chinese culture; where to buy things; life in Western countries.

- Avoid talking about sex, asking what people think of their government, or discussing Taiwan and other issues of foreign policy.

- Don't joke about sex, politics, or government leaders—either Chinese or foreign.

- Expect shock if you as a

call, so people will let a phone ring 40 times without answering it. Everything is done in person. People send messengers—even from city to city. If a message is urgent, people send telegrams.

- Remember that most switchboards close down between noon and 2:00 P.M.
- Make long-distance calls from your hotel or from a telephone-telegraph office. Prepare for a long wait before your call goes through, a good reason to place the call from the comfort of your hotel.
- If you are expecting an international call at your hotel, notify the main desk and give your room number. State your name clearly. People have difficulty with Western names.
- Expect people to answer the phone by saying "Wei, wei" (pronounced "way, way"—the equivalent of "hello" when answering the phone).



IN PUBLIC

- Never back-slap or hug. The Chinese are not demon-

strative and will not understand such behavior.

- Don't put your hands in your mouth (e.g., biting your fingernails, getting food out of your teeth). It will disgust the Chinese.
- Avoid violating the strict Chinese moral code by flirting or making displays of affection. Visitors who do are often expelled from China.
- Don't be offended if Chinese stare at you. It is their natural curiosity about Western appearance and clothing.
- In making plans, keep in mind that cities other than Shanghai, Canton, and Beijing close down very early. Stores close at 6:00 P.M., it's hard to find a place open for dinner after 7:00 P.M., and the last bus usually leaves around 8:30 or 9:00 P.M.
- For directions or other information, look for students, who are usually well informed. Ask questions in a way that doesn't imply a specific answer, because the Chinese will tell you what they think you want to hear. Don't say, for example, "Is the museum in the next street?" The Chinese will say "Yes," which may not be true. Asking "Where is the museum?" is more likely to produce an accurate answer.
- In the countryside, ask questions (about directions,

etc.) of men. Women probably won't know the answers.

- Don't be seen walking with a single Chinese person. Chinese are supposed to report every conversation with a foreigner to the authorities. You could create a problem for your Chinese friend in the future, because authorities could refer back to your contact.
- Be aware that women never smoke, except at banquets and parties. (You may see older women, who don't care what others say, smoke.) If you're a businesswoman or the wife of a businessman, don't smoke except at banquets and parties. Smoking in private is acceptable.
- If you smoke, offer your cigarettes to others in your group. Chinese don't usually offer women cigarettes unless they've seen them smoking.
- Realize also that women don't drink alcoholic beverages. If as a businesswoman you are offered a drink, accept it, but take just a sip and leave it. (Women tourists can feel free to smoke and drink.)
- If you need a public bathroom, go into a hotel; their bathrooms are usually fine. In restaurants, they are marginal. Bring your own toilet paper, because none is furnished. Public restrooms in parks, museums, and temples are usually

only porcelain bowls imbedded in the ground or floor.

- Pack plenty of reading material, since there isn't much to do at night, and restaurants close very early.
- If you plan to take photographs, bring an adequate supply of film because it isn't available everywhere.
- Before you photograph anyone at close range, ask permission. Be aware that people will be upset if you take an instant-image picture of a group and then give the print to just one individual or if you take a picture of one person and keep it for yourself.
- Don't photograph police stations, military institutions, cultural performances (with a flash), and certain museums. Don't take pictures emphasizing poverty; authorities are distressed by such pictures.
- Don't photograph from airplanes or at airports. If one member of a group takes pictures at an airport, the entire group may have their film confiscated.

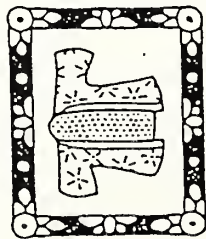
Shopping:

Remember that there is almost no bargaining, but in antique shops you can make a subtle suggestion that you would welcome a price reduction.

- Be prepared for people to stare at you or even follow you

if you shop at local stores. Most tourists shop at Friendship Stores, which are only for tourists. Those watching you are merely curious. Just smile.

Exercising: Men and women should feel free to jog or to join the groups doing *taiji* in the parks. Many people exercise at 5:30 A.M. before going to work. Shorts are acceptable for exercising.



DRESS

- Jeans are acceptable informal wear for both men and women.
- Pant suits are a good choice for women, since Chinese women always wear pants. They are appropriate for both tourists and businesswomen. Businesswomen shouldn't wear high heels or designer clothes and shouldn't use expensive purses or attaché cases. All these are considered luxury

items and are regarded as signs of decadence.

- For business or dinners out, women should wear a suit (skirt or pants), skirt and blouse, or a dress.
- Women should also wear as little makeup and jewelry as possible.
- For summer business meetings men don't need a jacket or tie, but they should wear a suit or jacket and tie in winter.
- To summer banquets, men should wear a jacket, but will usually be able to remove it during the meal. (Take your lead from your host.) For both business meetings and summer banquets, an alternative is a safari suit with short sleeves; it appears more formal than shirt and slacks.
- Formal dress for men is suit and tie. Women should wear a dressy outfit, but not high heels and evening gown, except at a formal reception given by a foreign diplomat.
- Prepare to be stared at by the Chinese, but if you want to appear less obtrusive, wear gray and dark blue.
- Both men and women should bring rubber-soled shoes (e.g., sneakers, tennis shoes) for visiting factories and communes, where you're likely to encounter dirty floors and mud.

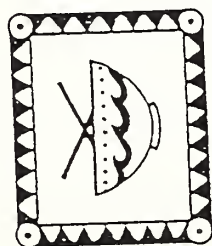
an omelette with stir-fried vegetables, and soup.

Dinner (*jeng-chahn*): 4:30 or 5:00 P.M. until about 7:00 P.M. A typical meal consists of four meat or fish dishes, two vegetable dishes, one soup, and boiled rice—for example: cooked meat with turnips; diced chicken cubes in yellow bean sauce; quick-fried sliced lamb with spring onions; stirred shrimp; cabbage; cold mixed cucumbers; bean-curd and sliced meat soup; plain steamed rice.

- If you are invited to a meal, expect not a typical meal but a feast. You might be served a cold plate (such as tofu—bean-curd—salad and 1000-year-old eggs), steamed fish, sweet-and-sour fish, a meat dish, and an egg dish. During the meal you'll drink beer; after the meal, tea. At an ordinary meal in a home or restaurant, all dishes will be served at the same time; at a banquet, courses will be served in sequence.

- Should you be invited to a birthday dinner, expect handmade noodles (called *lie mien*) to be featured—vermicelli is a symbol of longevity and is served to ensure long life.

- Express special appreciation if you are served shark's-



MEALS

Hours and Foods

- Keep in mind that during the week, Chinese eat their main meal at night; on weekends the main meal is eaten at noon.

Breakfast (*dzan-chahn*):

5:30 or 6:00 to 8:00 A.M. Typical dishes are cakes and bread, *congee* (a rice gruel), dumplings, rice, pickles, salted or "1000-year-old" eggs, and tea. In large hotels, a Western-style breakfast is available.

- "Thousand-year-old" eggs are usually duck eggs coated with lime, ashes, and mud and placed in a jar to ripen for three to four months. The egg white becomes firm and the yolk becomes green. Besides breakfast, they are served as an hors d'oeuvre.

Lunch (*noon-chahn*): 11:00 or 11:30 A.M. A typical meal for guests would be a salad,

fin or bird's-nest soup. They are banquet-style dishes conveying honor and respect. The nests for bird's-nest soup are made by sea swallows that nest in the South China Sea. The swallows gather and eat fish and then regurgitate them to form a nest. The nests are simmered for an hour until they shred. Then they are cooked with chicken stock, ham, and chicken to make a translucent soup.

- Be prepared for Chinese food in China to be hotter and spicier than the Chinese food usually served in the West.

Beverages: *Maotai* is a colorless alcohol, made from sorghum and wheat germ and then aged; it is very potent and used only for toasts at banquets. Visitors have variously described its taste as "like gasoline," "white firewater," or "like bad gin or vodka."

- For a drink less potent than *maotai*, choose *Shao xing*, a red rice wine served warm and sometimes available at banquets.

- Try local beer, the best brands being Beijing and Tsing Tao (beer is usually served warm).

- Note that white wine is rarely served chilled. If you enjoy chilled wine, buy some at a store, ask the hotel's room

attendant to chill it for you, and then take it to the restaurant with you.

- Realize that although coffee is served in major hotels, its quality is not good. Bring your own instant coffee and milk powder if you wish. You'll find boiled water in a carafe in your hotel room. It may have cooled slightly, but it is usually hot enough for acceptable coffee or tea.

- Don't drink tap water anywhere. A second carafe in your hotel room will hold water that has been boiled and chilled. Use this for drinking, brushing teeth, etc.

- Be aware that tea is served only before and after a meal. Soup is the main liquid drunk during the meal. Sugar and cream are never used. If you visit someone, tea will be served, accompanied by cakes, nuts, dried fruits, or watermelon seeds.

- Buy foreign alcoholic beverages at major hotels or at Friendship Stores.

Table Manners

- Expect to eat at a round table with dishes in the center.
- Be prepared for the table to be set with a soup bowl, several pairs of chopsticks to take food from serving plates

to individual bowls, a wine cup, a rice dish, and a dish for shells and bones. There will be no serving spoons.

- Expect the host and hostess to use longer chopsticks in order to reach special pieces of food and place them on guests' plates. Children use shorter chopsticks, as befits their social position.

- When using chopsticks, remember that one chopstick (the lower one) remains stationary, while the top one moves. The lower chopstick rests on the ring finger, with the thumb on top of it. Hold the top chopstick as you would a pencil—resting against the thumb and manipulated by the second and third fingers. Hold the chopsticks half to three-quarters of the way up, because they will be easier to manipulate.

- Try not to drop your chopsticks. It's considered bad luck.

- To show that you have finished, place your chopsticks across your bowl.

- Use the porcelain spoon for soup. The Chinese prefer porcelain because it doesn't absorb heat as metal does.

- Don't be surprised to hear your Chinese table companions making a sucking noise when eating hot soup and noodles; it's meant to cool them.

- If you don't like the food

served to you, leave it untouched.

- At a banquet, expect to be served rice in an individual bowl by a waiter. In a home, your hostess will serve the rice.

- Don't pass serving dishes around. Reach for food with your chopsticks. It's perfectly acceptable to reach in front of others to get to the serving dishes. You may either take small amounts of food from the serving bowl and eat them, or you may first transfer one dish at a time from the serving dish to the rice on your plate. Don't pick through items in the serving dish to find something you like. Take what's close to you on the dish.

- Eat one dish at a time. The Chinese believe that each dish has its own unique flavor and should not be mixed with others.

- Never touch food with your fingers or eat with your fingers or lick your fingers. Only children eat that way.

- As a guest, don't drink wine until the host invites you to.

- To eat steamed rolls with chopsticks, hold the roll with your chopsticks and take bites.

- To eat rice, bring the bowl to your mouth, and shovel the rice in with chopsticks.

- To eat shrimp with the shells left on, point the meaty

end toward the back of your mouth and bite down on the shell near the tail. Then take little bites to squeeze the meat out.

- To eat the whole fish that is often served (with bone in), break off bits of the fish with your chopsticks. The cooking will have made the fish very soft, so you should have no problem.

- Be prepared for meat dishes to have many small bones. To remove them from your mouth, use your chopsticks (not an easy feat). It is rude to remove them with your hands. (When eating a meat dish, be careful—so you will avoid losing a filling or a tooth.)
- Expect food to be shared. People will often pick out a choice morsel to give to you, the guest.
- If you don't want more tea, leave some in your cup. Every time it is empty, it will be refilled.
- If you are host at a meal, realize that the average Chinese gets very little meat. Order several meat dishes, i.e., beef and broccoli, *moo shu* pork, etc., and suggest that they take the leftovers home.
- If you are guest of honor at a formal meal, plan to sit with your back facing north. The host will sit with his back facing south. At the beginning

of the meal people fight to avoid the seat of honor. Finally the guest of honor is pushed into the seat by the host. (As a Western visitor, don't feel obliged to play this game if you are guest of honor.) People then sit at random. The host will move around the table and drink to the health of each person. Then he will point his chopsticks at the cold dishes on the table as a signal to start eating. Rise slightly and, with chopsticks, take morsels of food from the bowls in the center of the table. Starting with lighter foods, main dishes are served in courses.

- Don't worry about leaving a little vegetable or meat on your plate, but never leave rice. It's considered the "sweat of a low man."

- If you are entertained at a banquet, expect three glasses at your place setting: one for beer or orange soda, one for sweet wine, and one for *maotai*, the sorghum-based liquor used for making toasts.

- At banquets, expect a good deal of toasting. The host begins the toasting (frequently to the friendship of China and your country). Toasts and wine-drinking continue all evening, with the appearance of the main course the signal for a round of toasts. It's acceptable to toast with a soft drink.

- Don't be surprised if the appearance of the main course also signals a round of the "finger game": two players fling out a varying number of fingers and shout guesses as to how many fingers are displayed. The loser must drink.

- At a banquet, eat one course at a time.

- Expect the banquet meal to contain the five tastes basic to Chinese cuisine: acid, hot, bitter, sweet, and salt. Dishes also alternate between crisp and tender, and dry and thick sauces. A typical banquet might begin with dried fruits and nuts, followed by cold plates and stir-fried dishes; next will be a dessert, such as a pudding, to clear the palate for the more exotic dishes, such as Peking duck; then for variety—and again to clear the palate—there will be two soups, followed by a whole fish. The last dish will be rice.

- Note that fruit is symbolic: the orange is for happiness, the pomegranate for fertility, the apple for peace, and the pear for prosperity.

- If you are the guest of honor at a banquet, leave before the hosts. The serving of fruit signals the end of the meal. Wait ten minutes after tea is served and towels have been passed, then leave.

- Should you be invited to

two banquets in the same evening, attend the first, having wine and a few courses there. Then leave for the second party. The traditional banquet lasts about 1½ hours—usually from about 7:30 to 9:00 P.M.

Places to Eat

- If you're a devotee of Chinese cuisine but mystified by menus written in Chinese, take along a copy of *Eater's Guide to Chinese Characters* by James D. McCawley. It's a paperback and costs only \$5.95, but it will unlock the Chinese menu for you.

- Remember that there are no names for particular kinds of restaurants. If you don't speak Chinese, look for a place where you can point to what you want. Either point to what another diner is having or to a dish that is being prepared. (In many places, the food is cooked in view of diners.)

- Look for inexpensive restaurants on the second floor of some noodle and dumpling shops. They serve meat and vegetable dishes.

- Restaurant hours: Breakfast from 5:30 or 6:00 A.M. to 8:00 A.M. Lunch from 11:00 A.M. to 1:30 P.M., and dinner from 4:30 or 5:00 P.M. to 7:00 P.M.

• In Western-style hotels, meals are usually served at 8:00 A.M., noon, and 6:00 P.M. You will be assigned a table. Breakfast is Western style, unless you request a Chinese breakfast a day in advance. Such a breakfast will be prepared only for a group of eight to ten. Chinese cuisine is served at lunch and dinner. Most beverages, including beer, are included in the price of the meal. If you have dietary restrictions, the hotel kitchen will prepare special meals for you.

• Arrive shortly after the restaurant opens for a meal; if you go later, it will be out of everything. Remember that most restaurants close at 7:00 P.M. In the South there are street stalls that stay open later; however, you should never buy food from street vendors because the risk of food poisoning and even hepatitis is just too great.

• Be aware that most good restaurants have an elegant section for tourists and an ordinary dining room for Chinese. Foreigners are usually permitted to eat in the dining room for Chinese, although the staff will make a strenuous effort to direct you to the dining room for tourists. Use your discretion as to whether to persist in your request to use the dining room for Chinese.

• Prepare for a shock if you eat at one of the restaurants fre-

quented by local people. People toss chicken bones on the floor and spit freely.

• In larger cities, eat in a hotel to avoid the hassle of eating in a restaurant (people don't speak English, you won't be able to read the menu, and conditions are very crowded). Another advantage of hotel dining rooms is that the food in them is often better and cheaper than in other places.

• If you're on a tour and wish to eat somewhere other than your hotel, get a group together and go to the desk at your hotel. Give your price range, mention one or two special dishes you would like to have (leaving the rest of the meal to the restaurant manager), and the hotel will make the arrangements. (Be sure to make reservations and requests for special dishes at least a day in advance.)

• Seat yourself in restaurants. Expect to share a table with others (in fact, you'll practically be sitting on someone else's lap because there is so little room), and don't be surprised if your group has to split up to find seats. There are usually round tables for six to eight. Grab a chair and try to find a space. If you can't find a seat, stand behind someone who is finishing. It isn't considered rude.

• If you see a man handing out tickets, that's a sign to pay

before you eat. This is common in small restaurants where local people eat, not in better restaurants or hotel dining rooms.

• Be aware that your bill may be up to 10 percent higher than that of Chinese patrons because they have ration tickets that foreigners don't have.

• Arriving at a restaurant, women may notice that there are only men there. In China, men go out in groups, while women stay home with the children. You have no cause to worry; the men won't bother you.

• To attract a waiter's attention, say "Tongzhi" (Tong-jí, with an "i" as in "milk"), which means "Comrade."

• In restaurants for Westerners, ask for a spoon and fork, if you wish. In smaller restaurants, only chopsticks are available. People often bring their own chopsticks, since soap is not used for washing dishes. You would be wise to take a cue from the Chinese and buy yourself a set of chopsticks to use during your visit to China.

• Never buy food from street stalls; among the unpleasant results could be hepatitis.

Specialties

• In Canton, be sure to try *dim sum*, a light and inexpensive meal, usually available only

during the daytime and traditionally served in teahouses. *Dim sum* (which means "little heart") refers to food that comes in small portions on equally small plates. *Dim sum* are served in bamboo basket steamers. A typical selection of savouries: *shiu mai* (steamed meat dumplings), *har gau* (steamed shrimp dumplings), *gwor mai gai* (rice with chicken or pork, steamed in a lotus leaf), *chueng fun* (steamed rice-flour rolls with roast pork, minced beef, or shrimp), *char siu pan* (steamed rolls with chicken), and *pai gwat* (steamed spareribs in red-pepper sauce). Dishes are left on the table until it's time to add up the bill. The waiter counts the dishes to determine the charge.

• Other Canton specialties are *tiao ren ji ding* (diced chicken with walnuts), *gú láo ròu* (sweet-and-sour pork), *ké jiá niàng dòu fū* (Cantonese stuffed bean curd).

• You may want to avoid tangerine-flavored ox penis, called *gou qi niu bian tang* in Mandarin and *gau gei ngauh bin tong* in Cantonese.

• Typical dishes from Shanghai are *zhī bāo jī* (paper-wrapped chicken), *taíng cù pái gú* (sweet-and-sour spareribs), *xī hú cù yú* (West Lake fish), *qiè zhī míng kē* (prawns with tomato sauce).

• From Szechuan cooking, sample *gōng bǎo jī dīng* (chicken

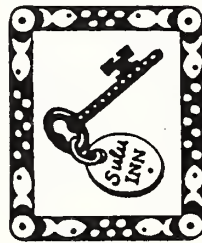
with peanuts), *zhāng chá yā* (camphor - and - tea - smoked duck), *yú xiāng ròu sǐ* (stir-fried pork in hot sauces), *xīa rén gǎo bā* (sizzling rice with shrimp), *má pó dòu fū* (Ma Po's bean curd), and *yú xiāng qié zǐ* (eggplant Szechuan-style).

- Note that Szechuan food, prepared with a great deal of red chili, can be very hot. If you want your food milder, ask for *bu la* (boo lah) or *ching hung* (ching hoong). These terms mean "not spicy."

- From Northern China, try *běi jīng kǎo yā*, roast Peking duck, the region's most famous specialty. Platters of duck meat and crispy skin, thin pancakes, a dish of *hoi sin* sauce, and scalion "brushes" are put in the center of the table. Put a pancake on your plate, dip a scalion in the sauce and brush it on the pancake, place the scalion in the center of the pancake with a piece of duck meat and a piece of skin. Fold the pancake over its contents and tuck in the ends so that you can pick it up with your fingers and eat it. The next course is a soup made of celery cabbage cooked in a stock made from the duck carcass. Sometimes you have to ask for the soup, since some restaurants try to cut corners with foreigners by not serving it.

- Other specialties of North-

ern China are *shuàn yāng ròu* (rinsed mutton in hotpot), *méng gǔ kǎo ròu* (Mongolian barbecue), and *tāng cù quán yú* (fried whole fish with sweet-and-sour sauce).



HOTELS

- If you are going to be in the country on May 1 or October 1 (both major national holidays), reserve your room well in advance; otherwise, you may not be able to find a room.

- Be patient when dealing with members of the hotel staff. They are usually young boys and girls studying foreign languages. If you are aggressive, they will be very negative. If, for example, there are no towels in your room, keep asking for them—gently. Never raise your voice.

- Look for a service counter on your floor. Most hotels have them. There you can make international phone calls, order drinks, or give your laundry to be washed.

hotel keeps your travel permit until you leave.

- Be aware that bathrooms are shared (except in Western-style hotels), and there may be hot water only during certain hours.

- In a small hotel, expect to sleep on a hard cot, under a coverlet like an eiderdown. Expect sheets and pillows in hotels that cater to Westerners; some small hotels will also have them.

- If you are traveling independently and are staying in small hotels, use the large Western-style hotels for the amenities they offer, i.e., use the toilets in their bathrooms, the money-changing services, and their postal services. No one will bother you.

- Be prepared for less-than-adequate lighting in your room. For reading, bring along a battery-operated light that clips on to the book. If you can wrap it securely, bring a high-wattage bulb.

- Use the laundry service in large hotels. It's fast and inexpensive.

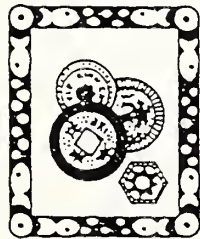
- If you want to store luggage, ask at your hotel. You will probably be allowed to store it there. Be aware, however, that the luggage will be inspected thoroughly, and there may be a time limit.

- If you arrive in Beijing without a hotel reservation, to get a hotel room you must go to the CITS (China International Travel Service). In Chinese, it's called "*Luxingshe*" (Lusingher). In addition to arranging for hotels, they can book train tickets, cars to meet you at your next stopover, and plane tickets. CITS offices are located in most tourist towns, usually in the largest hotels. Be aware that CITS doesn't begin assigning rooms until 3:00 P.M.

- Note that there are CITS offices in cities outside Beijing. You can make advance reservations through CITS, but you usually can't choose your hotel. You may be assigned a hotel that is far out of town and may be charged a fee to have someone meet you; however, don't be surprised if the person doesn't show up. If no one comes, try to find a taxi, or use public transportation. Outside Beijing, you can book a hotel room on your own—by phone, cable, or telex—but it takes a long time.

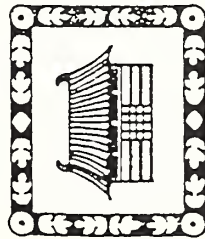
- Don't try to stay in the very inexpensive, dingy hotels where Chinese stay. It is forbidden for foreign visitors to stay in them. In most cities, only a few hotels are open to foreigners.

- Don't be surprised if the



TIPPING

- Don't tip in China. If you try, you will offend the person you are trying to tip.
- Since there is no tipping, express appreciation for good service in a hotel or restaurant by writing a kind word in the suggestion book found at the entrance of hotels and restaurants.
- As a substitute for a tip, try giving American cigarettes, books, or cassette tapes to tour guides, hotel attendants, or people who have been helpful in negotiating a business agreement.



PRIVATE HOMES

- Know that Chinese-Americans are allowed to stay with

relatives. Write to them well in advance, allowing at least a month for a reply. If you would like your relatives to accompany you, ask them, because they can get leave from their jobs *with pay* for visits. It is possible, however, that if you travel by train, they may have to sit on "hard" seats while you sit on a "soft" seat.

- Don't be surprised if you're out walking and a Chinese invites you in to tea. Feel free to accept such an invitation, but *don't* accept an invitation to spend the night. Westerners cannot legally stay in Chinese homes. The people may sincerely want to have you and may be willing to take the risk, but don't endanger them by accepting the invitation.

Gifts: If people you are visiting have asked you to bring English-language books or magazines, be discreet in giving them because your friends could get in trouble if the material is considered anti-Communist.

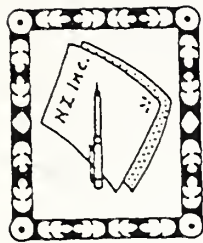
- Be aware that custom discourages acceptance of gifts by individuals. You might give a gift to a commune, such as framed paintings, technical books, or books with the flora and fauna of your country. To a school, give English-language textbooks, picture books from

your country, the Sears Roebuck mail-order catalogue, or books such as *Roots*, *The Gulag Archipelago*, or *Love Story*.

- If you are visiting relatives in China, be assured that you may give them substantial gifts—household appliances such as a TV, a radio, or a camera. People also appreciate Western-style clothing (to be worn at home) or canned goods, especially if you bring foods that are rationed.

- Other popular gifts: barrettes and combs; cigarette lighters; T-shirts with writing in English (e.g., the Boston Symphony Orchestra—the Chinese remember their visit to the country). Note that people don't wear T-shirts in Beijing, because the shirts are too nonconformist.

- If you are invited to a home, bring fruit, candy, or cookies. Especially good are Chinese wine or cookies bought at a Friendship Store (where only foreigners can shop). If you visit the home of relatives, leave money for their children.



MONEY AND BUSINESS

Hours

Government and Business Offices: 8:00 A.M. to 6:00 P.M. or 9:00 A.M. to 5:00 P.M., Monday through Saturday. Between noon and 2:00 P.M., *everyone* takes a break, and everything stops, including manually operated elevators.

Bank of China: 10:00 A.M. to noon and 2:00 to 6:00 P.M., Monday through Saturday.

Shops: 9:00 A.M. to 7:00 P.M., daily, with some shops closed for lunch.

Money

- Note that the monetary unit is the *renminbi* (RMB), which means "People's currency." The basic unit is the *yuan*, which is divided into ten *jiao* and 100 *fen*. Coins are 1,

2, and 5 *fen*. (There are also small slips of paper for these amounts.) Banknotes are 1, 2, and 5 *jiao* and 1, 2, 5, and 10 *yuan*.

- Remember that in speech *yuan* are often referred to as *kuai* (kooay).
- Realize that for most activities, you will need only the Foreign Exchange Vouchers issued to visitors. Hotels, restaurants, shops, Friendship Stores, and taxis all accept them. They come in the same denominations as *yuan*—ten *yuan* being the largest. If you wish, get some RMB for occasions when you leave the usual visitor's path.

• Expect American Express, Visa, Barclaycard, MasterCard, Access, and Diners Club credit cards to be accepted at hotels, the larger Friendship Stores, and antique shops. Expect to pay a 4 percent commission to the shop, restaurant, or hotel when using the card. Most restaurants require payment in cash, as do places at which airplane tickets are sold.

• Change travelers' checks at Friendship Stores, Bank of China branches, and hotels for foreigners.

- If people ask you to exchange your Foreign Exchange Certificates for RMB, keep in mind that this is a Black Market activity, and the Chinese can

be executed for it. Whether you become involved is a matter of principle and conscience. If you're caught, you will probably be asked to leave the country.

- Spend any RMB before you leave China. You won't be able to exchange them for Western currency.

Business Practices

- Remember that to do business in China, you must have an invitation. Several of China's foreign trade corporations have representatives in North America and Europe. In the United States, start by getting advice from U.S. experts (not the Chinese representatives) at the U.S. Department of Commerce, the Bureau of East/West Trade, the U.S.-China Trade Council, or the Office of East/West Consumer Affairs (People's Republic of China Division), all in Washington, D.C. In Canada, contact the Canada-China Trade Council in Toronto or the PRC Embassy in Ottawa. There is also a PRC Consular Office in Vancouver. In Europe, check with the PRC Embassy in your country to learn the details of gaining an invitation to do business in China.

- Be aware that getting an invitation to come to China for

The Chinese are very proud of their past and will be impressed that you have taken the time to learn about their culture. They are often hurt that Western visitors know so little of their ancient and important culture.

- Also bone up on your competitors and the specific details of their products. Expect searching questions from the Chinese as to your product versus those of your competitors.
- Because men and women get equal pay for equal work in China, women have as good a chance as negotiators in business as men have.
- Men should be aware that women in China have important positions in international trade and should be very careful not to speak or behave in a sexist/chauvinist manner. It will only hamper negotiations.
- Bring business cards. The Chinese have begun to use them. Have one side printed in Chinese. The printing can be done in Hong Kong or at your hotel, if you're staying at one often used by businesspeople. It may take four to five days to get the cards.
- Remember that punctuality is very important.
- When you receive someone's business card, remember that the first name on the card is the family name. When do-

business can take a year or more. If you have your cover letter, and, better yet, your entire proposal translated into Chinese, you can greatly speed the decision-making process. Don't exert pressure to speed up the invitation, however. It will only upset the Chinese.

- Realize that you are at a disadvantage if you are with a small company and that you have an edge if you are with a large, well-known foreign company, since the Chinese generally prefer to deal with the largest foreign firms.

• If you (finally) receive an invitation to come to China, obtain a visa from the Embassy or consulate in your country.

- Plan to travel to China several times before any arrangement is made final. It's best not to make return reservations for each trip. Wait to see how long negotiations last.

• Don't plan business trips during the Chinese Lunar New Year (whose date varies according to the lunar calendar). Many businesses close for a week before and a week after that festival.

- In making your plans, recall that, vast though it is, all China is in one time zone.
- Before leaving, be sure to familiarize yourself with the artistic, creative, political, and historical background of China.

ing business and meeting someone for the first time, address the person by professional title plus family name.

- When entering a business meeting with a group, come in led by the highest-ranking person in your group. At the end of the meeting, leave before the Chinese.

- Expect most of the conversation to be between the senior Chinese and the senior foreign team members. If other members of your group interrupt, the Chinese will be shocked. Suggest to subordinate members of your own team that they raise hands if they wish to speak.

- Note that business meetings often begin with innocuous conversations about a neutral topic such as the weather.

- When you deal with Chinese organizations, be prepared for them to supply an interpreter. Be sure to use short, simple sentences, and pause to make sure your exact words are understood. Avoid slang or Western business "jargon" (especially figures of speech derived from sports). If possible, bring your own interpreter, preferably one from Hong Kong, Taiwan, or Singapore. A professional translator will help you to understand the nuances of the discussion.

- In preparing your proposal, make it objective and factual, telling why you and your firm are the best choice. Don't exaggerate your ability to deliver, because the Chinese check such claims. When you arrive in China, have at least 20 copies of the proposal available for distribution to the organization and its factories. (Don't plan to photocopy the proposal in China; there are very few photocopy machines in the country.)

- Prepare to present your material to many different groups at different levels. It's difficult to identify the person who makes the actual decision, so it's important to treat everyone with equal respect.

- Use black-and-white photographs for your collateral materials because colors have great significance to the Chinese (e.g., yellow is the color of emperors, purple of barbarians). Don't use maps showing Hong Kong as British or Taiwan as independent.

- Show patience and tolerance for the Chinese method of doing business, which is to develop and then maintain a relationship. It may take years to develop a good relationship of cooperation between your foreign firm and the Chinese bureaucracy.

- Remember also that the Chinese make no important decisions without first consulting the stars for a lucky day and an auspicious hour.

- Expect the Chinese to be excellent hosts, a quality that may lead you to believe that they think of you as someone special. This is usually not so; the hospitality is part of their negotiating strategy.

- Be prepared for the Chinese to take notes during meetings. You may wish to do so also. Don't, however, try to use a tape recorder, as they are usually not allowed.

- Expect the Chinese to drive a hard bargain on prices. Sometimes, when you think you have reached an agreement on financial terms, they will want to reopen the issue of prices.

- Listen for clues as to when to end a meeting. The Chinese usually finish work by 4:00 P.M. and may say something such as, "You must be in a hurry." Regard such a statement as an invitation to leave.

Business Gifts: Don't give an individual a business gift in China. It will probably be returned immediately, resulting in embarrassment for both parties. You could, however, make a gift from your company to the organization or

factory. The gifts should not be lavish. Give illustrated books about your section of your country, records, a subscription to a magazine, pens, notepads, or calendars. Don't give a clock, as the word for clock sounds like the word for funeral, and don't bring food, as Chinese tastes are very different. If appropriate, wrap the gifts, preferably in red, a lucky color. (Don't use white; it's the color for funerals.)

Business Entertainment: Be aware that business lunches have become more popular with the increase in international-style hotels, but, as a foreign businessperson, you will be treated to at least one evening banquet. You may receive the invitation only the day before—or up to a week in advance. If at all possible, reciprocate for the banquet on the same trip; if not, be sure to do so on your next trip. Always allow the Chinese to issue the first invitation.

- In making the guest list for your banquet, include everyone with whom you have dealt. It's difficult to figure out who is really making the decisions, so don't risk excluding the most important person. Include both Chinese and Western wives.

- Ask your interpreter, the Chinese interpreter, or your hotel information clerk to arrange your banquet. Specify the menu; always reciprocate with the same price per person as the Chinese spent at your banquet. Tell the restaurant manager what was served at the banquet hosted by the Chinese and say that you would like dishes in the same price range. Invite your guests several days in advance, and make your reservations at least one day in advance. Arrive half an hour before your guests; they will arrive precisely on time. Most dinners start between 6:30 and 7:00 P.M. and last for about two hours. Restaurants usually close by 9:30 or 10:00 P.M.

- Note that toasting customs are the same at business and social banquets (see "Table Manners").

- Don't initiate a discussion of business during the meal; business conversation while eating is not customary.

- Don't expect to be asked to a business colleague's home, as entertaining a Westerner could cause suspicion.

Note: For advice regarding business greetings, dress, or table manners, see the appropriate sections earlier in this chapter.



HOLIDAYS AND SPECIAL OCCASIONS

- Below are national holidays, on which banks, offices, and stores will usually be closed. Many regions and towns have festivals which are holidays in that area. Check with the tourist office for dates of local festivals.

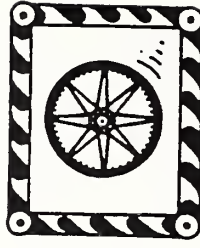
Holidays: New Year's Day (January 1), Chinese Lunar New Year and Spring Festival (late January/early February), International Working Women's Day (March 8), Labor Day (May 1), Youth Day (May 4), Children's Day (June 1), founding of the Communist Party of China (July 1), People's Liberation Army Day (August 1), National Day (October 1), celebrating the founding of the People's Republic of China in 1949.

- Remember that many Chinese holidays are celebrated ac-

cording to the lunar calendar. For example, the Chinese New Year falls on the first day of the First Moon (usually in early February). The Chinese year is divided into 12 months of 29 and 30 days, with an extra month added every three years. Thus the lunar year is 354 days.

There are no names for days of the weeks or month. Monday is Day One, Tuesday Day Two, etc., as January is the first month and February the second month, etc. The Chinese count by the moon and may say that a certain holiday comes on the fifth day of the Fifth Moon.

- If you are in the country during the Chinese Lunar New Year, look for parades in the cities. There are no spectators—everyone marches in the parade. In the country there are plowing ceremonies and offerings to the gods of spring and husbandry. If you wish to join the spirit of the celebration, wear new clothes, especially new shoes. It's bad luck to step on the ground in old shoes on New Year's Day. Note that people clean their homes thoroughly, put red lacquer on the front door to keep the evil spirit away, and on New Year's Eve seal all doors. The following morning they break the seals and spend the day in worship of their ancestors. (Busi-



TRANSPORTATION

Public Transportation

- Expect to find a subway only in Beijing. It only goes a few blocks, however, operating between 6:00 A.M. and 9:00 P.M. Pay according to the distance traveled. (There is a subway line under construction in Shanghai.)

- If you take a bus, prepare for extremely crowded conditions. When you get on, state your destination and the ticket taker will collect your fare. If you have language problems, have someone write your stop in Chinese characters, and show it to the fare collector while holding out a handful of change. The conductor will take the correct amount (fares are based on distance traveled), and, since you are a foreigner,

nesses and shops often close for two weeks for the New Year celebration.)

will probably signal you when the bus arrives at your stop.

- Recall that the last bus usually leaves at around 8:30 or 9:00 P.M. in smaller communities, somewhat later in large cities. In Beijing or Shanghai, most buses run until midnight.

- Don't look for taxis on the street. Look for them at train stations, or ask the hotel staff or staff at restaurants and shops to help you find one. Since taxi drivers don't usually speak English, have the person who finds the taxi tell the driver your destination and whether you want the driver to wait. (Waiting time is relatively inexpensive.) There are no meters, but drivers are *very* honest. The driver will give you tickets with numbers stating the fare. Be sure to have change, as drivers often don't.

- Wait until you get to China to buy train tickets. They cost only half as much in the country as outside. You will, however, pay 70 percent more than Chinese, because there is a different standard for natives and foreigners.

- Buy train tickets at least one day in advance at CITS or at your hotel. There is no such thing as a round-trip ticket. In general, routes are circuitous, and train trips are long and exhausting.

- Note that there are basically two classes of train travel:

"soft" is equivalent to first class and is the way most tourists travel; "hard" is economy class, the way ordinary Chinese must travel. For daytime trips, take soft seating, which is arranged much the same as the seating on a Western train. For overnight trips, soft sleepers offer compartments, each with four berths. There are no curtains across the bunks and no segregation by sex, so an upper berth will allow at least a little privacy. You can change under the covers, but people usually make an effort to look away from anyone who is changing. (In the summer you might want to trade privacy for comfort, since most trains don't have air conditioning, and the upper berth can become very hot.) Sometimes, for an extra charge, you can have a four-berth compartment to yourself.

- Hard berth, which costs about the same as soft seating, allows you to lie down on a long trip. In hard berth, the car is open and lined on both sides with three levels of berths, which fold up. If you choose this class, try for the middle berth, since the top one is hot and the bottom one has no privacy and is the one on which people sit during the day. Hard seating is extremely uncomfortable, with smoky cars and people spitting on the floor. People

often put newspapers on the floor and sleep under the seats. If you want to travel hard class, you'll have to make your own arrangements, which can be tedious and time-consuming, since CITS puts foreign visitors into soft class only.

- Don't be surprised to be awakened at 5:00 or 6:00 A.M. by a public-address system blasting martial music and announcements. Most of the announcements exhort you not to be rude to your fellow passengers and prescribe a series of exercises to get you going. You can join the many who jump off at stops to do calisthenics, but be alert, because stops are often short, and the train may leave with little or no notice.

- Try to get a compartment in the middle of the train. It isn't so noisy or bumpy as in other areas.

- If you are sleeping on a train, take a small bag with toiletries and other essentials with you. Luggage is usually stored either at one end of the car or in an overhead rack, so it may be difficult to reach to take out a toothbrush, face cloth, etc.

- Expect train compartments to be comfortable, with pillows and towels provided. Under the table with a lamp will be a thermos of hot water for tea. Ask the cabin attendant

for tea bags; there is a small fee. Every compartment has a fan, but it's turned off at night—even during the hot summer months.

- Keep your ticket to show when you get off the train.
- If you have bought a "hard seat" ticket and decide that you want a "hard berth," pay on the spot.

- If you have brought food onto the train, share it, and expect Chinese people to offer you their food.

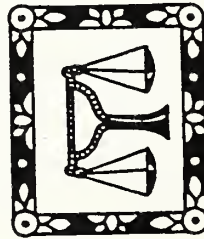
- Be aware that only foreigners, Chinese generals, and high officials can use the dining car. The waiter will bring you a menu at your seat (in soft class) about an hour before the meal is to be served, and you order in advance. You will be called when your meal is ready. If you want your drinks chilled, tell the waiter when you order.

Driving

- Don't think about renting a car. You can't. You can, however, hire a car and driver. If you are staying at a Western-style hotel, ask the doorman to recommend a driver to you. Get him or one of the hotel's English-speaking employees to tell the driver where you want to go and in what order. As

insurance, carry a copy of your itinerary in Chinese. If the service has been good, tip the driver 10 *yuan* for half a day.

- As an alternative to a car, consider renting a bicycle (or buying a bicycle and reselling it). Rentals cost one to two *yuan* per day. Leave your passport or a deposit of 100 *yuan*. Be sure to check out lights, brakes, and tires before you accept the bike. If traffic gets heavy, walk it. Be careful at street corners and traffic lights, as drivers make sudden turns. If you want to stop somewhere, look for a bicycle parking lot. The attendant will give you a slip; pay when you return.



LEGAL MATTERS, SAFETY AND HEALTH

- If you are traveling independently, go to Hong Kong, where you will be able to obtain a visa in one of the many travel agencies that advertise visas for

China. Be sure to decide in advance which cities you want to visit, because they will be written on the visa, and you can't go to one *not* written on the visa. Remember that some cities are off-limits to foreigners. The visa is good for one month, but you can usually get an extension of two weeks to a month at the Foreign Affairs Office in a large town.

- At Customs, fill out a form listing your valuables—radio, watch, calculator, camera, etc. Keep this form, and turn it in when you leave the country. Make sure that you take all declared items out of the country with you; otherwise, you will have to pay an import duty. (If you bring in such items as radios or calculators and give them as gifts, you'll have to pay this duty.) You must also fill out a currency form, declaring all the money you have with you. Keep this form, and present it whenever you change money.

- Don't bring in any reading material that might be considered morally or politically harmful to the Chinese people. It may be confiscated.

- Don't be surprised if authorities keep your passport for some time. It must be stamped by the Public Security Bureau. You'll have to work out something with them so you can

use the passport to change money.

- Don't bring Chinese currency into the country or try to take it out of the country.

- Don't try to buy anything with foreign currency. It is illegal.

- Note that Western Caucasians may not stay with Chinese families. Should a family invite you to stay, refuse politely; your stay could place the family at serious risk. Those who are half Chinese and half Western may stay with their families, because China is hoping that they will invest in the country. They pay lower prices and can visit towns forbidden to Caucasians.

- If you buy an antique unofficially from a Chinese person, remember that you are risking a confrontation with Customs authorities and a possible jail term. If the antiques have a red wax seal of approval showing that they have been purchased from an authorized dealer, you're safe. If you buy an antique from a store outside the chain of state stores, take it to an office of the Bureau of Cultural Relics, which you can find at some Friendship Stores. They have the authority to give the red wax state seal to your package. Note: No items more than 180 years old may be exported.

- Don't try to take articles

of historical value out of the country. It is forbidden.

- Realize that your luggage will be X-rayed at the airport when you leave.

- Contact the Public Security Bureau (the police) for missing property, travel passes, or visa extensions. The officers on the street wear blue or white uniforms with gold emblems on their hats.

- Don't expect a Chinese person to lead you to a police station. They don't want to be seen with a foreigner, and they try to avoid the bureaucracy whenever they can.

- Follow the advice given to Chinese women in Beijing—not to go out after 9:30 at night. There is street crime outside the center of large cities.

Health: Although standard medicines and antibiotics are available, bring an ample supply of any prescription drugs you're taking. Women should bring tampons and sanitary napkins, as they are difficult to obtain. It's best to bring your own toiletries. For example, though toothpaste is available, the taste is strange to a Western palate. Bring extra moisturizer, because some areas of China are very dry.

- Never eat ice cream from a street vendor.

• Bring with you items that may be unavailable. All travelers should bring tissues, toilet paper, and cellophane or transparent tape (since Chinese envelopes don't have glue). Either bring or buy as soon as you arrive a small cup, preferably one made of plastic. If you get tea from a vendor, it's safer to use your own cup. Women should bring tampons or sanitary napkins as well as cosmetics.



KEY PHRASES

A note on language: If you're visiting relatives, expect them to speak a dialect. For traveling around China, it's most practical to learn the Beijing dialect—*pu tung hua*—which is understood all over China. Note that the more of the language you learn, the cheaper your expenses will be.

Chinese is a tonal language. Often one word means many different things, depending on the tone.

Some common pronunciations: q = ch; x = sh; zh = j; c = ts; i = ee; ai = eye; ong = oong; eng = ung; ian = yen.

If you learn nothing else before going to China, learn to read numbers.

A good phrase book for travelers visiting China is *Chinese for Travellers*, Berlitz Editors, (Macmillan, New York, 1982, \$4.95). The dialect is Mandarin.

English	Pinyin	Pronunciation
Hello	Ni hao	Knee how
Good morning	Zao shang hao	Tzaow shang how
Good evening	Wan shang hao	Wahn shang how
Good night	Wan an	Wahn ahn
Good-bye	Zai jian	Dzyc jee-en
Please	Qing	Ching

English	Pinyin	Pronunciation
Thank you	Xiè xiè	Shee-yeh shee-yeh
You're welcome	Bù xiè	Boo shee-yeh
Excuse me	Duì bù qǐ	Doo-oi boo chee
I don't understand	Wǒ bù dǒng	Wah boo dong
I don't speak Chinese	Wǒ bù huì shuō	Wah boo hway shwo
	zhōng wén	jung wen
Does anyone speak English?	Shéi huì shuō yīng wén?	Shay hway shwo ying wen?

Packing List Of Provisions

Snacks and soap may come in handy

By NANCY HARMON JENKINS

Traveling in China is not like traveling anywhere else in the world. Prepared for a third world experience, you may well be surprised at the level of amenities. (One that always pleases foreigners is the Chinese custom of providing a large thermos of boiling hot water in every hotel room, even the most humble.) On the other hand, if you expect luxury services outside large, Western-style hotels in major cities, you are in for a rude awakening. (Next to that thermos of hot water, you may find a tea mug containing the remains of the last guest's cup of tea.) Accommodations are often Spartan and toilet facilities, in particular, can be — well, crude at best.

Just back from a four-week tour of China myself, I am full of well-meaning advice for my fellow travelers. For peace of mind, here are a few rules and unfamiliar customs to remember, as well as a shortlist of items to tuck in your suitcase or backpack. They will add to the weight of your luggage, but they may make your trip far more comfortable than if you had left them behind.

First, the rules:

1. Reserve hotel space before you begin your trip and keep your reservation number handy. Hotel rooms are often hard to come by, especially in the major cities, and Chinese hotel keepers are notorious for last-minute cancellations. Also, Western names are cumbersome for the Chinese, but a number is a number and is less likely to be misunderstood.

2. Remember that state-run restaurants — and most restaurants in China are still owned and operated by the Government — have rigid schedules. In most cities, lunch is not served after 1 P.M. and dinner not after 7:30, sometimes earlier. There is no breaching this rule: Tears and fainting spells are of no avail. The cook has gone home, the stove is shut down and there is no more food. If you want to dine in a special restaurant, arrive early — 11:30 is the best bet for lunch, no later than 6:30 for dinner. Adjust your eating schedule to conform to Chinese custom. Otherwise, you will eat all your meals in Western-style hotels, one of the dreariest ways to experience food in China.

3. If you value privacy, or just like to rest in the altogether in your room, lock your hotel

room door. Chinese in the People's Republic do not have the same concept of privacy as visitors from the West. If your room door is not locked, anyone may come in at any moment for any reason. It may well be a student of English, in which case the first question will be: "How old are you?" Do not be ashamed to lie. To the Chinese, you always look younger than you are.

Now for the list:

Swiss army knife. I do not think anyone should go anywhere in the world without a Swiss army knife. It need not be the five-pound variety complete with fish scaler and ivory toothpick that my young son considers essential, but a knife with a couple of blades, a corkscrew, bottle opener and bottle-punch is a useful item in any traveler's bag (though not in carry-on luggage, as it might be confiscated by airport security personnel). In China especially, if you buy fresh fruit from a market stall — and you may wish to because it is seldom served at meals — you will want to peel it before eating.

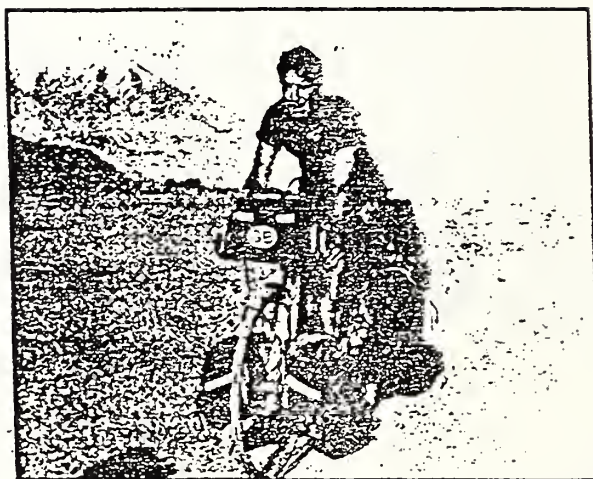
Toilet paper and/or tissues. Toilet paper, when available, is as rough and uncomfortable as the pages of a Sears Roebuck catalogue. If you go to the north of China you will most likely come down with a cold — almost everyone does because of the dry, dusty air — so you will need to blow your nose frequently. You will also need paper to use for table napkins, seldom provided, and for wiping off bowls, glasses and chopsticks — a perfectly acceptable thing to do, so my Chinese friends advise me.

Food. Chocolate bars, if that's what you like, although some travelers take peanut butter. I do not because it sticks to the roof of my mouth and makes it difficult to talk. There is an abundance of good food in China but often it is not available when you most crave it.

Plastic bags. Small plastic sandwich bags or larger refrigerator bags can be used in a variety of ways, some that you might not imagine beforehand. If you neglected to bring chocolate or peanut butter, you will find the bags handy for wrapping up leftover food from the table for midnight snacks. They are also useful for carrying the underwear you rinsed out at night that wasn't dry when it was time to leave the hotel in the morning. Then, too, the markets are full of interesting things to buy, but decidedly short on shopping bags.

Maps. Doubtless for reasons of state security, there are no good maps available in

China List



John F. Burns

A British traveler, Mark Richmond, who bicycled to China.

Continued From Page 21

China. A map of the whole country will help you figure out where you are and at the same time make new friends. When you open it in public, you will be surrounded by Chinese trying to figure out where they are, too.

Collapsible mug or plastic cup. As noted above, though boiling water is always available, clean cups may be in short supply. Best to carry your own: If it isn't clean, at least it carries only your own germs.

Towel. If you have room, a small bath towel may well be one of the most comforting items you can carry. Hotels often provide miniature towels that, while charming, hardly do the job. A towel also makes a useful pillowcase when necessary, as on an overnight train.

Soap. Often unavailable, soap, when provided, may be harsher than what you are used to. Take your own, in a soap dish. Also be sure to take plenty of shampoo.

Alcoholic beverages. Beer is the most common alcoholic drink in China, and it is only slightly alcoholic. The alternative is the infamous maotai, a sort of white lightning that may become repugnant the third or fourth time around. If you like a drink before dinner, take your own. It need not be elaborate: If you can't live without margaritas, you probably

should not be in China anyway.

Instant coffee. You will find coffee distressingly unavailable in many parts of China.

Tea. Odd as it may seem, tea — in bags, for convenience — is a useful item. Chinese tea is almost invariably jasmine, a lovely tea that tastes cloying when taken in excess. Bags of black Ceylon or India tea or herbal infusions provide a welcome alternative.

Phrase book. It is frustrating and limiting anywhere in the world to be unable to speak the language, but at least in Germany or Argentina one can read the street signs. In China, unless you have studied long and hard, you can neither speak nor read. However, there are a few phrase books available that translate from English into Pinyin, the Chinese system of Romanization. Even if you never need to use it, a phrase book is a comfort in your pocket.

Medications. If you use any special medications, you know to take plenty along with you wherever you go. You might also pack a small medicine box of nonprescription pharmaceuticals that can be useful in minor emergencies: aspirin, antacid, iodine, antihistamines and Band-Aids come immediately to mind. It is sensible to take along an extra pair of eyeglasses or, if you wear contact lenses, lens cleaning solution. If you feel you can't get along without a hair dryer, take a battery-operated one. ■

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BUSINESS TRAVELER



I. Business Traveler on Tour

Karen Green

My colleagues were incredulous, my family puzzled, when I announced I was going on vacation in China. After all, I travel there often enough on business. Worse yet, I was planning a package tour which, to the seasoned traveler, may not seem the ideal vacation. Why choose to be shepherded around China in a nine-cities-in-eleven-days-type tour when you could be basking on the beaches of Hawaii in half the flight time?

Despite all the arguments against it, I spent three weeks last June on a package tour of China—and loved it. It was another China; convenient, comfortable, clean. Even better, it was unceasingly friendly. Let's face it, business always has an element of the adversarial, and if your patience with China is wearing thin, nothing restores it like a pleasure trip.

For the frequent business traveler, a China trip need not be expensive. My airfare was covered by accumulated free flight coupons. And I took advantage of one of the land-only packages many tour operators offer. The price of 22 days in China and Hong Kong came to roughly \$100 per person per day, all-inclusive.

The package tour has gotten a bum rap, at least in China. The alternative—a “do it yourself” vacation—has some pluses but it's not easy (see p. 7). My prior attempts to travel independently in China resulted in seemingly endless hours in line at city branches of China International Travel Service (CITS) and the Civil Aviation Administration of China (CAAC), faced with the anxiety of not knowing how I would get to the next city or where I would stay when I got there. On this trip, I wanted to show my best friend as much of China as possible in three weeks. I quickly realized that given the busy itinerary we envisioned, going it alone would

mean sitting in a costly taxi following a tour bus to the same destinations.

Hotel hassles minimized

When traveling to China for business, I can usually get a hotel reservation, although frequently not at centrally located, first-class hotels. While the situation for the individual traveler is improving as new and better hotels open, being part of a group has always carried more clout. Chinese hotels have been known to bump individual and business travelers when they overbook so as not to inconvenience a group and anger the tour wholesalers who bring numerous groups into their facilities.

On the group tour we were always housed in centrally located, good quality hotels. In fact, throughout the tour we had little trouble with accommodations, except at the Suzhou Hotel. There the group was given musty, old, and rather ill-furnished rooms—in short, the rooms one gets everywhere in China outside the major tourist cities. But it wasn't the rooms that upset the group as much as the scam the hotel perpetrated. Once we had carried our bags to the third floor (no elevator) and gone to lunch (in the modern new wing), the hotel staff informed our guide that, in fact, there were plenty of rooms available in the new wing and that, by paying an additional \$10 per room, we could upgrade. We all did so, but not happily.

The only thefts also took place in Suzhou. Some \$60 in cash disappeared from my hotel room, while in another room a bag of small trinkets

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such as pens and candy were stolen. Although nothing was taken in Xi'an, we were made to understand that the Tangcheng Hotel staff had quite a reputation for stealing. Clearly, China is no longer a place you can leave valuables strewn about your room without a second thought.

Flexible schedules, helpful guides

For me, package tours of China conjured up an image of a group leader charging up the Great Wall, flag in one hand, bullhorn in the other. Not so. Although package tours are carefully prearranged, they are by no means as restrictive as commonly imagined. Indeed, the only time we were required to travel with the group was between cities. Tour members sometimes chose to pursue specific interests on their own or simply to relax. All that was asked of us was to inform the guide in advance.

I had previously traveled to eight of the 10 cities on our itinerary on business and was looking forward to revisiting the sites from a new perspective. Much to my surprise, I was taken to places that I had not seen before in each city we toured.

On the way to each site, the tour director or local CITS guide provided an introduction to what we were about to see. Upon arrival we were turned loose to explore on our own. We had the best of both worlds—the hassle-free arrangements of a group tour and the freedom to pursue individual interests.

For those who preferred more of a structured tour at each site, guides were available to provide it. Indeed, the guide-to-tourist ratio on our trip was one to seven; three guides for a group of 21. The tour company furnishes a guide, and the Chinese provide both a national guide to accompany the group throughout China and a local guide in each city. The national guide is generally superfluous.

venture off on your own, often into territory not even discussed in the most recent China guidebooks.

The pros and cons of independent travel

Seeing China on your own lets you enjoy the landscape at your own pace, go exactly where you want, choose your mode of transportation, and have more direct contact with friendly local residents. Individual travel can also cost significantly less than package tours.

Be forewarned, however, that the benefits do not always outweigh the frustrations. The language barrier, long ticket lines, overcrowded buses, spartan accommodations, and overly curious crowds can wear down even the most seasoned traveler.

Potentially even more frustrating is the conflicting information given by different Chinese organizations. Public Security Bureaus in different cities sometimes disagree on whether a certain area is open or closed to foreign travelers. And CITS has been known to tell independent travelers that, for example, public transportation is not available to their intended destination, and that they must take a more expensive taxi or tourist bus. A trip to the bus depot may sometimes prove otherwise, however.

Individual travel in China to places off the tour circuit is only for the adventurous. Individual travelers are stared at and touched (especially if they have light hair), while their possessions (such as cameras and Walkmans) are inspected by curious Chinese. At first, it may even be fun to be the center of attention. But as time passes, the novelty of being a walking one-man show wears off. And it's best not to be squeamish: you may also have to contend with open holes for toilets, previously used chopsticks, spitting, and intense overcrowding in almost every city.

Still, for the business traveler with a good bit of time to spare, independent travel is certainly worth considering. Those of you who have read this far without getting discouraged may well find it more rewarding than a package tour.

Getting underway

If you are not already in China on a business visa, you must first obtain an independent travel visa from the Chinese embassy or consulates. The main catch to getting this visa is the

requirement that you provide written confirmation of hotel reservations in the major cities you plan to visit. Booking reservations weeks apart will give you time to travel away from the standard tourist spots. Another way to get around the reservation requirement is to pick up a visa in Hong Kong, where travel agencies are adept at getting independent visas due to the proximity to the Chinese border and the presence of a CTS office there.

Travelers who take comfort in knowing where they will spend the next night will be disappointed to learn that getting hotel reservations is not easy. Only certain travel agents or hotels can book rooms ahead of time. In most cases, a reservation requires full prepayment, but in major cities a credit card can usually reserve rooms at luxury hotels.

The prices for rooms vary greatly. Dormitory beds can go for as little as ¥6 per bed (less than \$2). Cheap hotels and guest houses run from \$10 to

\$50 per night. In smaller, less known cities, the most expensive accommodations will cost much less than the pricey Beijing or Shanghai luxury hotels, but they will not have all the amenities either.

The meiyou problem

CITS can provide great assistance by obtaining tickets for buses, trains, or boats that are usually the only way to get to smaller cities. And once you get there, the CITS office almost always has an English speaker on hand who can provide maps with bus routes, directions to hotels or places of interest, and tickets for the next leg of your trip. But like any bureaucratic organization, CITS can frustrate even the most unflappable tourist.

If the people helping you, for example, aren't sure of something, the answer is usually *meiyou* ("no" or "don't have"). This saves them the work of finding out the answer or being criticized for giving information about an unauthorized activity. And in most cases, this rids them of the problem—you.

One way to get around the *meiyou* problem is to ask to speak to a supervisor, who may reverse the decision immediately. Even if the supervisor gives a negative response, do not lose hope until you verify the answer with clerks at the bus station, airport, boat dock, or wherever your question applies. Doing these things on your own will take at least twice as long, so you will need to have a flexible schedule that can easily accommodate unexpected complications.

Finding your way

If you don't speak Chinese—and in some inland areas even if you do—pointing and gestures become, of necessity, the predominant means of communication. In outlying areas few Chinese can speak English, and those who do usually know only a few words. To cope, it may help to have someone write out a few key phrases in Chinese such as "Where is the CITS office?" or "Where is a good restaurant?"

Navigating this huge country with its poor transportation system is never easy on your own. But the task is made somewhat easier—and certainly more enjoyable—by the Chinese people, who are generally very friendly and always willing to point an individual traveler in the right direction.

SUGGESTED GUIDE BOOKS FOR CHINA TRAVELERS

Buckley, Michael and Alan Samagalski, *China: A Travel Survival Kit*. Berkeley, California: Lonely Planet Publications, 1984. 820 pages. Excellent practical advice, as well as accurate descriptions of points of interest in every province. The best source on hotels, with addresses, phone numbers, and prices for the most and least expensive accommodations in every major city. The only drawback is that the research was done in 1982-83, before many cities and additional hotels were opened to foreign travelers.

Destenay, Anne L., *Nagel's Encyclopedia Guide, China*. Geneva, Switzerland: Nagel Publishers, 1984. 1,480 pages. Excellent coverage of history, climate, geography, religion, and art. Extremely detailed but somewhat dated descriptions of sights in cities ranging from major metropolises to tiny villages. The best source of information on sights older than 1984; includes maps but no information on hotels.

Kaplin, Fredric, Julian Sobel, and Arne de Keijzer, *The China Guidebook*. Teaneck, New Jersey: Eurasia Press, 1986. 736 pages. Updated every year, this readable guide covers 120 major tourist cities and sites and provides lots of practical information.

Profile of Agriculture

Chinese agriculture is characterized by highly intensive crop production on small holdings averaging under one half hectare per farmer. With just over 1/5th of the world's population but only seven percent of the world's arable land, China is still nearly self sufficient in grain and cotton production (over 95 percent for each). Agriculture, accounting for 32 percent of total national income, is a key sector of the economy. Farmers accounted for 60 percent of the labor force of 553 million (according to 1989 statistics) and 74 percent of China's 1.1 billion people live in rural areas (according to the 1990 Census).

China produces a wide variety of agricultural products under climatic conditions that range from temperate in the north to tropical in the south and arid in the west. Key agricultural production areas are concentrated in eastern China and the central province of Sichuan. China is the world's largest producer of rice, pork, cotton, tobacco, and eggs as well as a leading producer of coarse grains, oilseeds (peanuts, soybeans, and rapeseed), wheat, apples, citrus, and walnuts. Staples are wheat in northern China and rice in central and southern China, but consumers can avail themselves of an increasing array of fresh and processed agricultural products.

Crop production still dominates Chinese agriculture but the livestock sector is growing rapidly with the feed sector expanding by approximately 15% per year. There is further room for growth since per capita meat consumption is only 19 kilograms (25 kilograms in urban areas), 82 percent of which is pork. Despite rapid growth, the livestock sector is constrained by inefficiencies in management and feed production. The swine sector, which accounts for more than 50 percent of China's livestock numbers, is dominated by small producers who raise 1-4 hogs using table scraps and straight grain rations. Although pork currently accounts for over 80 percent of total meat output, poultry meat, eggs, beef, mutton, milk, and aquaculture production have all grown rapidly as the government looks to stretch scarce grain resources by encouraging the production of animals which are grass-fed or convert feed more efficiently than swine.

Production Trends

China attained increased grain and cotton production over the last three years through a combination of policies promoting these crops and favorable weather conditions. Nevertheless, China hopes to boost grain production by another 15 percent by the end of the 1990's. Cotton production can be expected to achieve near record levels over the next few years as Chinese authorities attempt to provide sufficient raw material supplies to China's large textile sector.

Soybean and peanut production could remain relatively flat in upcoming years although rapeseed and cottonseed will likely maintain or exceed record levels barring significant changes in government production policies.

Ambitious production targets for the livestock, dairy, poultry, and aquatic sectors will necessitate breeding improvements and greater utilization of protein meals.

Growing demand for higher value products such as fruits have been partially met by a virtual tripling of fruit production during the 1980's in a trend that will slow only moderately in the 1990's.

Tobacco production declined slightly in 1991 as the government stressed the importance of grain and cotton production to the national economy.

The forestry sector is characterized by expanded plantings of fast growing softwood species most suitable for paper manufacture but a gradual depletion of commercially usable timber resources.

Farm and Food Policy

Although many agricultural products have been freed from state control, commodities considered essential to the economy or to social stability-such as major grains and cotton-remain subject to partial production quotas and state controls on marketing and distribution. Nevertheless, China's 8th Five Year Plan (1991-1995) seeks to introduce gradual market oriented reforms. These reforms include eventual rationalization of the grain distribution system by formation of wholesale commodity markets and price reforms which are slated to eventually eliminate low government procurement prices and government subsidized urban retail grain and edible oil prices.

China's three successive bumper grain harvests have depressed market prices and brought to light significant inadequacies in storage facilities. China's government is attempting to address these problems by increased purchasing for national grain reserves, setting higher procurement prices for selected types of grain, and upgrading it's storage facilities.

The greatest advance in food production since dissolution of the commune system beginning in 1978/79 is the provision of an increased variety and supply of vegetables, fruits, and livestock products to rural and urban dwellers; mostly through open air type markets. The increased freedom to produce what the market demanded and the growth of specialized households which concentrated on profitable fruit, vegetable, tobacco, aquaculture, hog, or poultry production led to rapid increases in output.

The "Food Basket" program has spurred growth in vegetable, meat, egg, and milk production in rural areas surrounding medium and large cities. Livestock production in these areas is centered on large State Farms with medium-to-large scale semi-modern facilities and specialized households using simpler technology. Plastic-covered greenhouses assure adequate vegetable supply year-round in Northern cities.

Efficient distribution is hampered by a poor although gradually improving transportation infrastructure. Retail agricultural product sales are primarily through open air style markets. Supermarket style retailing is very limited with most of what little occurs conducted through state owned Friendship stores. Western style fast food operations are beginning to open in major urban areas where residents have higher disposable incomes.

Trade Trends

Through policies that encourage the export of agricultural products, tight control over imports, and production policies favoring grain and cotton, China has maintained a favorable balance of trade in agriculture for several years. In 1990, the value of agricultural exports increased slightly to \$9.8 billion, while imports declined 18.4 percent over 1989 values to \$5.5 billion. Although agricultural trade accounts for only about 5 percent of China's total GNP, agricultural export earnings are more than 15 percent of total exports while agricultural imports, dominated by wheat, make a significant contribution to China's food supply. Given current policies regarding agricultural trade and production, China may remain a net agricultural exporter for the next several years. The desire to earn foreign exchange combined with the recent gains in grain production serve to limit the necessity of increasing imports.

Exports of live hogs, fresh and frozen meats, corn, and canned foods continue to be China's main export commodities. Since the value added and processed products in particular allow China to earn foreign exchange, it is likely that the exports of these commodities will continue to grow. In addition, the emphasis by the Chinese government on the development of the livestock and dairy industry will place increasing demands on China's grain output and may lead to reduced exports of bulk type commodities.

Wheat continues to be China's most important agricultural import, accounting for nearly 40 percent of the value of all agricultural imports. Other products that consistently appear on China's import list include vegetable oils, cotton, and logs. While these commodities are likely to continue to dominate China's agricultural imports, China's emphasis on improving productivity in the livestock sector has created opportunities for breeding animals and livestock genetics. Although the total value of these imports is still quite small (less than \$75 million), they are showing rapid growth.

Because the U.S. supplies 30 to 50 percent of China's wheat import needs and because wheat dominates China's agricultural imports, U.S. fortunes in agricultural trade with China will continue to be linked to the level of its wheat exports for the near future. As China's import list grows, however, the U.S. will be provided with opportunities to expand the variety of products it markets to China, thereby creating a more balanced trade situation.

Table 1

Country at a Glance

Population (1990): 1.134 billion

Urban population: 26%

Population growth rate: 1.4%

Per capita GDP (1989): \$300

Total land area: 9,600,000 square
kilometers, 10% arableMajor crops: Rice, wheat, corn,
sugarcane/beets, soybeans, rapeseed,
peanuts, cotton, tobacco, sorghum,
apples, mandarin oranges, pears, walnutsLivestock sector: swine; poultry
broilers and layers; cattle, mostly
draught, but some dairy and beef; sheep;
goats; major aquaculture industryLeading agricultural exports: Canned
vegetables & fruit, tea, fresh & frozen
shrimp, corn, raw silk, peanuts, cotton,
swine, sugar, soybeans, meats.Leading agricultural imports: Wheat,
cotton, vegetable oils (palm, rapeseed,
soybean), sugar, wool.Agricultural imports as a share of
total imports (1990) 1/: 10%U.S. share of total agricultural
imports (1990) 1/: 15%Percent of labor force in
agriculture (1988): 58%Membership in economic or trade
organizations: Observer Status at GATT1/ On a CIF basis, includes forest
productsTable 2

Agricultural Production

	1990 million metric tons	1991 million metric tons	1/ metric tons
Crop Production			
Apples	4.3	4.3	
Corn	96.8	95.0	
Cotton	4.5	5.1	
Peanuts	6.4	6.1	
Rapeseed	7.0	7.3	
Rice	189.3	187.0	
Soybeans	11.0	10.1	
Sugarbeet	14.5	2/	
Sugarcane	57.6	2/	
Tobacco	2.6	2.5	
Wheat	98.2	96.0	
	1990	1991	1/

Livestock numbers	million head	
Cattle	103.0	108.5
Modern Dairy Cattle	2.7	2.8
Goats	97.2	102.0
Poultry, Layers 3/	1,050.0	1,200.0
Sheep	112.8	118.0
Swine	362.4	365.0

Livestock Products	million metric tons	
Eggs 3/	7.9	8.3
Meat, Total	28.4	30.8
Pork	22.8	24.6
Poultry Meat 3/	3.2	3.4
Beef	1.3	1.5
Mutton and Goat Meat	1.1	1.3
Milk, Total	4.8	5.1
Cow's Milk	4.2	4.5

1/ Estimate

2/ Not Available

3/ Poultry layers and eggs include chicken,
duck, and quail. Poultry meat includes
chicken, duck, quail, turkey, and others.

Trade Policy and Prospects

Chinese agricultural trade philosophy is centered on the goal of self-sufficiency in agriculture. Chinese officials maintain that, due to its large and expanding population, they cannot be dependent on other countries to meet their food needs. Imports are limited to those items that are essential to meeting the food needs of China's population or that are required to help improve the productivity of Chinese agriculture. As a result, China's list of agricultural imports is not very long and does not include significant amounts of value added products. The relatively low per capita consumption of a large variety of commodities, including meat, fruits, and vegetables would indicate that there is a latent demand for these products among the Chinese population that could be met by imports. Many Chinese, especially in the urban areas, have the disposable income to purchase such products.

A significant trade policy development in 1991 was the initiation of a 301 market access action against China that includes a number of agricultural concerns. These concerns include China's import licensing requirements, high tariffs on selected items, veterinary and phytosanitary standards and testing requirements, and the general non-transparency of regulations on imports. A successful resolution to the issues raised by the United States may create additional opportunities for a variety of agricultural products that currently have little or no presence in the Chinese market.

Table 3

Value of Agricultural Imports - 1990 1/

	Total Imports \$ mil.	U.S. Share %
Selected Products		
Wheat	2,156	30
Vegetable Oils	947	2/
Cotton	711	51
Softwood Logs	509	44
Sugar	379	2/
Wool	146	2/
All Agricultural Products 3/	5,471	15

1/ Imports on CIF basis

2/ Less than 0.5%

3/ Includes many products not listed above. Includes forest products.

CHINA

The titan stirs

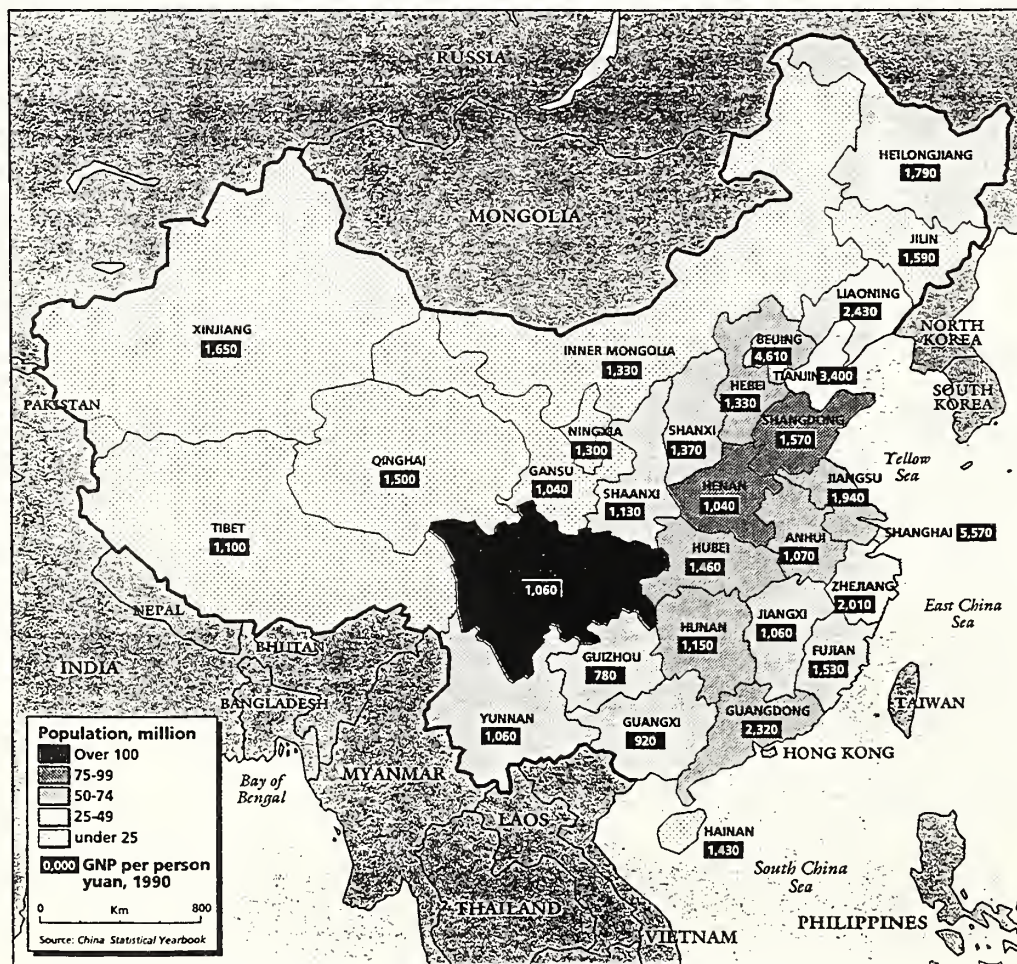
AS FAR as anyone can guess, it was around 1500 that Europe overtook China as the world's most advanced civilisation. For centuries—maybe always—before then, Chinese science and technology and Chinese productivity and incomes were the world's best. Over the next 500 years, as the West grew rich and strong, China first lay torpid and then, for most of this century, was convulsed by revolutions, war, famine, Communist tyranny and a decade of anarchy called the cultural revolution. It may therefore come as a surprise that, just a generation from now, one of the world's weightiest questions may well be how to handle a self-confident nuclear-armed China presiding over the biggest economy on earth.

The awakening of China that Napoleon warned the West to beware of ("Let China sleep," he advised) is sometimes traced to the dramatic moment on October 1st 1949 when a victorious Mao Zedong, proclaiming the People's Republic of China, told a cheering crowd in Beijing's Tiananmen Square that "the 475m people of China

have now stood up." The real awakening came almost 30 years later, during what sounds like a snoozer: the third plenary session of the 11th Central Committee of the Communist Party of China. This meeting was held in December 1978, two years after Mao's death. It agreed to the proposals of Deng Xiaoping, Mao's long-time comrade-in-arms and recent ideological foe. He wanted the Chinese economy, until then a slave to Stalinist principles of central planning, state ownership and import substitution, to be reformed and opened up to the outside world.

China's economic performance in the 14 years since then has brought about one of the biggest improvements in human welfare anywhere at any time. Real GNP has grown by an average of almost 9% a year. By 1994, China's economy is almost sure to be four times bigger than it was in 1978; if China hits its targets, which are reasonable, by 2002 the economy will be eight times bigger than it was in 1978. At that point, China will have matched the performance of Japan, Taiwan and South Korea

If China's economy grows as fast for the next 20 years as it has for the past 14, it will be the biggest economy on earth. Jim Rohwer explains why this will probably happen



In Korea's footsteps...

Output*	South Korea 1970	China 1991
Electricity, kwh	291.6	579.9
Steel ingots, kg	15.3	60.9
Cement, kg	183.9	210.3
Nitrogenous fertiliser, kg	12.3	13.1
Cotton fabrics, m ²	6.1	14.4
Cotton yarn, kg	2.9	3.9
Exports, \$ [†]	125	62
GNP, \$ [†]	1,100	322

Sources: Dwight Perkins, "China's Economic Boom and the Integration of the Economies of East Asia";
*All figures are per person
†1991 dollars at official exchange rate

during their fastest quarter-centuries of economic growth.

The overall figures mask a startling rise in living standards. Some 75% of Chinese—around 800m people today—still live on the land. Mr Deng's first reforms concentrated on freeing farmers from the suffocations of the commune system. This increased farm production enormously: grain output grew by a third in six years, cotton almost trebled, oil-bearing crops more than doubled, fruit production went up by half. Real incomes in the countryside grew even more spectacularly—three-fold in eight years.

Trickle-down economics has little to apologise for in the case of China. Guesses vary, but 200m-270m Chinese are thought to have been living in "absolute poverty" (basically, not even enough food) in 1978. The number of absolutely poor in 1985, when the farming reforms had largely been accomplished, was 100m. A Japan, two Britains, or half an America: about that many people were lifted out of poverty in China by the first six years of economic reform.

Not only the wretched had reason to be thankful. Between 1978 and 1991, grain consumption of the average Chinese went up by 20%; seafood consumption two-fold; pork consumption 2½ times; egg consumption more than three-fold; edible-oil and poultry consumption four-fold. In 1981 each 100 urban households in China averaged less than one colour television among them; ten years later it was 70. In 1981 there were six washing machines for each 100 city households, in 1991 more than 80; in 1981, 0.2 refrigerators, ten years later almost 50.

A visitor to China this autumn—provided he can secure a seat on the vastly overbooked flights going there from Hong Kong or Tokyo—is greeted on arrival by the world's biggest economic boom.

Shops are clogged with people buying consumer goods, often costly ones like western designer clothes. Factories, offices and homes are being built as fast as round-the-clock construction crews can put them up. China's economy will have grown by some 12% this year, with industrial output up by 20% or more. Despite the rich world's economic lethargy, China's foreign trade will have grown to around \$170 billion this year, up from \$135 billion in 1991 and from a mere \$21 billion in 1978, the year the reforms began.

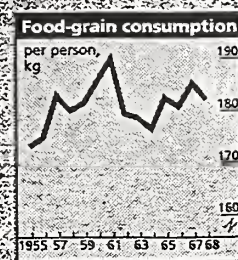
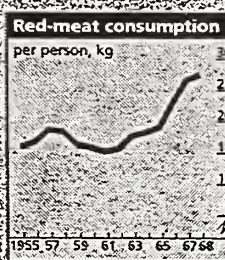
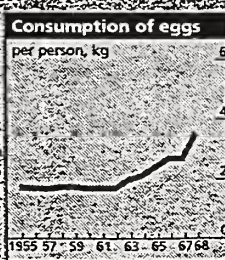
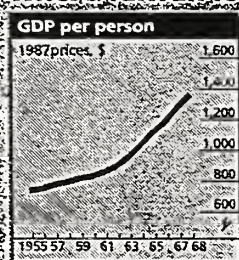
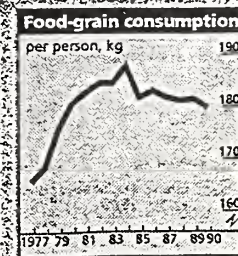
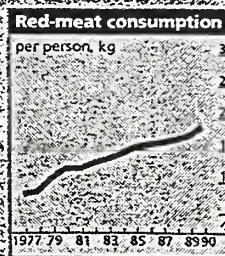
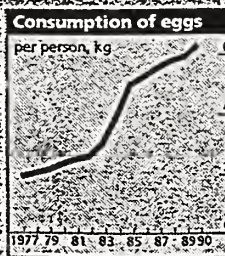
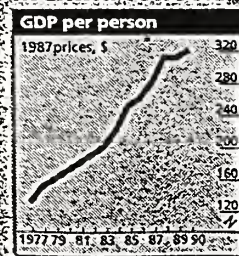
An unseen giant

These events would be of great significance even without a glance beyond China's borders. How could it be otherwise when the destiny of 1.2 billion people is at stake? Yet China impinges on the rest of the world far more than most people realise. China is already the world's third—or fourth—biggest economy, behind only America, Japan and maybe Germany.

The official figures belie this. The World Bank says that Chinese GNP per head was \$370 in 1990; this year it might reach \$380. That would make for a total GNP of around \$455 billion. That is smaller than the economy of Canada, with 27m people, and only twice the size of the Swiss economy.

The official figures about China are gibberish. Even a casual visitor to the place knows this. The cities in the coastal provinces along the southern and eastern seaboard, from Guangzhou (ex-Canton) next door to Hong Kong, up through Hangzhou, Shanghai, Nanjing, Tianjin and Beijing itself, are bursting with obvious prosperity. The suburbs in these provinces, where China's farmers have pushed to the hilt the opening given them by the reforms, are even richer than the cities.

The great industrial cities of the interior—places like Chongqing and Wuhan, practically unknown in the West even though they are as big, respectively, as greater Los Angeles and London—are drab and dirty. But their streets, too, are clogged with traffic, their shops full of goods and shoppers,

**Where Taiwan led...****China follows...**

Sources: Ma and Gamble, "How Rich is China?"

their markets, restaurants and night clubs buzzing with customers.

Yunnan in the south-west, on paper China's third-poorest province, is better off in real life than the official figures say—in part, unhappily, because of a booming trade in heroin from next-door Myanmar. But drug dealers did not build the smoothly paved road two hours outside the provincial capital, Kunming, nor do they tend the well-kept fields there or run the roadside restaurants crowded with locals enjoying big meals of soup, fresh vegetables and roast duck—quite a treat for people whose net household incomes are supposed to be \$100 a year.

Even those who compile the official figures know they make no sense. The World Bank said China's GNP per head in 1976 was \$410, roughly twice as high as India's or Indonesia's and a bit ahead of Thailand's. After 7½% annual growth in real GNP per head in 1978-90, China officially ended up with a lower nominal GNP per head than it had in 1976. It is now, supposedly, as poor as India, half as well off as Indonesia and a quarter as rich as Thailand, even though in 1978-90 China's real GNP per head grew faster than that of any of these other countries.

The explanation for this absurd result is that the fall of the yuan, China's currency, from 1.7 to the dollar in 1978 to 5.5 now (and 7 or so on the freeish spot market) has in dollar terms more than counterbalanced the entire growth of China's real economy over this period. A look at the real economy by Ma Guonan and Ross Garnaut, two economists at the Australian National University, shows just how misleading China's dollar GNP figure is.

The Australians multiplied China's physical output of basic commodities like coal and grain by their world market prices; this alone yields a figure of more than \$160 per Chinese in 1990. Include the value-added output, again at world market prices, of pork, eggs, cement, televisions, bicycles, textiles, shoes, steel, fertiliser and wood, and the figure rises to more than \$370: more than China's theoretical GNP per head for that year, even though that list of products represents only a fraction of Chinese output. Trade figures indirectly confirm the suspicion. China's exports of \$85 billion-90 billion this year—the world's 11th or 12th biggest—will equal some 20% of official GNP. You would expect an economy as big and diverse as China's to have, as Brazil and the United States do, an export-to-GNP ratio of only about 7%. China's export figure is fairly accurate, which implies that its GNP figure is badly understated.

Comparing China's physical output and consumption with those of its East Asian neighbours a generation ago drives home the point. Dwight Perkins, an economist at Harvard, has calculated China's output per head of some basic industrial products. He finds that China in 1991 was in most ways a bit more advanced than South Korea was in 1970—a year when Korea's GNP per head (in 1991 dollars) was \$1,100, supposedly three times China's dollar GNP per head in 1991 (see table on previous page). The Chinese are also eating as well as rich neighbours like Taiwan, South Korea and even Japan did 20-25 years before (see chart on previous page). This helps explain why China's social indicators—life expectancy, literacy, concentration of doctors and

Middleweight

	China	Low-income economies average	Middle-income economies average
Daily calorie supply	2,639	2,406	2,860
Population per doctor	1,010	5,800	2,250
Adult illiteracy %	27	40	22
Life expectancy	70	62	66

Source: World Bank, latest available figures

calorie intake—are less like those of the 25 poorest countries on earth (of which China is officially one) than like those of middle-income countries with dollar GNPs five times as big (see table above).

If China, with more than a fifth of the world's population, really is a mere generation behind the East Asian tigers, the implications are staggering. A conservative estimate would be that the true output of the Chinese economy will equal \$1.4 trillion-1.5 trillion this year, a quarter the size of America's. That is conservative because of what happens when you use figures based on "purchasing-power parities", or actual living standards: according to Lawrence Summers, the World Bank's chief economist, PPP would make China's economy around 45% the size of America's. Another recent PPP survey of China suggests another ten or 15 percentage points on top of that.

Each year, on average, for the past 14 years China's real GNP has grown 6.5 percentage points faster than America's. If that difference persists, a little after 2010 China will have the world's biggest economy. By Mr Summers's reckoning, if China had Taiwan's GDP per head today the Chinese economy would already be bigger than all the OECD economies put together. A China that continues to follow in Taiwan's footsteps with a 25-year delay will be as rich as today's Taiwan by around 2020, when its output should equal some 80% of the output of the OECD then. So one question about China stands out above all others, and this survey's main aim is to try to answer it. Can China's economy go on doing what it has done ever since Deng Xiaoping began unshackling it in 1978? If it does, the world is in for the biggest change since the industrial revolution.

Crossing the river by feeling the stones

That can happen only if China successfully carries out two modernisations at the same time. Both are difficult, and the second immensely complicates the first. Nobody has ever tried to escape from third-world poverty and communism at the same time.

At least China has a road-map for getting out of poverty. The guide is provided by China's East Asian neighbours, and the Chinese have studied it carefully. The main features of the East Asian approach are a land reform that sharply raises incomes in the countryside; a transfer of profits and labour from farming to industry; high savings rates, which finance industrial investment; low taxes; vigorous domestic competition; and an openness to foreign influence. The last element can consist of foreign prices, goods, investment, technology or a combination of all four: but the result must be something that brings world standards heavily to





bear on the local economy.

One way or another, as the rest of this survey will show, China's reformers have managed to implant versions of all these elements in the Chinese economy. The risk is that the Communist Party may eventually strangle them.

The biggest trouble with the party is not, as television viewers of the Tiananmen Square killings of 1989 assume it must be, that China's Communists terrorise people when their absolute monopoly of power is threatened. It is easy to forget that now-democratic Taiwan and South Korea (and, farther afield, Chile) had their share of police heavies, censors and even massacres in the 20-30 years when their governments were obsessed with fast economic growth and social order. What these other authoritarians did not have, however, was a political system rooted in the idea that even smallish economic decisions can be taken only on the sufferance of the ruling party.

All the signs are that China's industrial commissars—the party men still on most companies' boards and on the factory floor—are today as economically savvy as the businessmen they work with. Yet the instruments of political control are intact. When one western economist asked the political boss of a state enterprise why the government did not simply pay the company's chief executive a vastly higher (ie, market) salary instead of providing him with a car, home and so on to make up for the low pay, the answer was: "Because we can take

the car away but couldn't take the salary away."

Such a system's inherent weaknesses—corruption, political interference and the temptation to override market signals—are so great that many people believe it is impossible to reform a communist economy gradually. They point to the experience of past half-way reformers like Hungary and Yugoslavia, whose gradualist efforts in the 1970s and 1980s withered and eventually died. The radicals say that only a headlong plunge into privatisation and free trade will bring long-run success.

Plunges do not appeal to the Chinese, who call their method of reform "crossing the river by feeling the stones underfoot". As early as the mid-1980s, Chinese economists were arguing that quick wholesale reform has the same defect as central planning: it requires the government to take too many big decisions on questions, such as the right sequence of reform or the right way to privatise, that it knows too little about. Far better to experiment cautiously, letting different regions and different companies try different things. If they work, extend them. If not, bury them.

So far, the argument is running strongly China's way. The tides of history may have given Russia and Eastern Europe no choice but "big-bang" reform. But it is Russia, not China, that is suffering from hyperinflation and 20%-a-year falls in industrial output and is asking for western hand-outs to make up for a collapse in living standards. What has made gradualism work in China?

Capitalism with Chinese characteristics

Competition has been the key to China's success

THE Chinese reforms have succeeded thus far because they introduced a great deal of competition into the economy, albeit sometimes in forms that are hard to recognise. This has created an economy that at its grassroots works surprisingly well—since it increasingly resembles and is integrated with the economies of its East Asian neighbours—but which in its half-reformed state is full of contradictions and strains, especially in the role of the government. Begin with the happier part of the story.

The first of China's three waves of reform was directed by Mr Deng himself in the late 1970s and early 1980s. He did two main things. One was to create a market economy in food, initially by freeing prices for most food except grain and eventually by abolishing the agricultural communes as the unit of production and replacing them with what were basically family farms.

His two moves were a spectacular success. Output rose sharply. More significantly, so did productivity. Farming output per head in China did not go up at all between the mid-1950s and 1978. In the first half of the 1980s, real value-added in agriculture went up by 7% a year while the number of people working the land went down. This made everyone in China, either as food producer or food consumer, quickly and palpably better off. It laid the groundwork for sustained growth of agricultural output, and generated the surplus of rural savings needed to finance the industrialisation of



Reworking the system

China. The political genius of the reforms was that they captured this surplus not by milking the countryside, as mistaken third-world or Stalinist industrialisation-drives always did, but by making farmers richer. Mr Deng created a committed reform

constituency embracing three-quarters of China's population.

The second element of the early Deng reforms was less spectacular, but is proving to be just as significant. The "open-door policy" began by eliminating the central government's monopoly over foreign trade. Four experimental "special economic zones" were also set up, three in Guangdong province next door to Hong Kong, the other in Fujian province across the strait from Taiwan. These were intended to draw in foreign capital, companies and expertise—mainly, as their locations show, from the ethnic Chinese businessmen of Hong Kong and Taiwan. The open-door policy has transformed the Chinese economy, bringing it the same benefits that the export-led growth of the East Asian tigers delivered to them. A later article will explain just how.

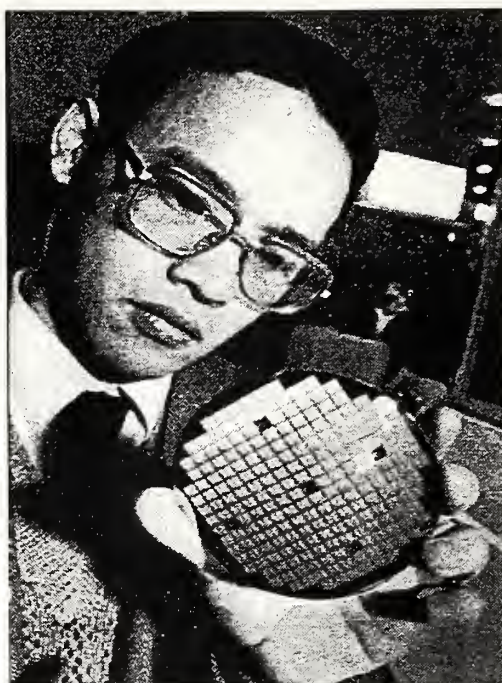
Industry's turn

The agricultural reforms worked so well that the attention of China's policy-makers quickly shifted away from them (as will the rest of this survey). The next two rounds of reform, in 1984 and 1987, dealt instead with industry. More was accomplished than people usually assume, though the central difficulty with state-owned industry has still not been tackled.

To see how much has been done, it is useful to refer to a checklist drawn up by Mr Perkins, the Harvard economist. He notes that four conditions must be met for a market system to work well in a reforming centrally planned economy. They are: (1) Goods must be made available through the market rather than through administrative allocation. (2) Prices must reflect long-run relative scarcities rather than the dictates of the plan. (3) Competition must exist; no monopolists, otherwise no productivity gains. (4) Managers must behave according to the rules of the market, rather than those of the state bureaucracy. In China, numbers (1) and (2) are being taken care of by reforms begun in the mid-1980s and nearing their end now. Number (3) is also being taken care of, though mostly inadvertently. That still leaves number (4).

(1) Ever fewer goods are flowing through the hands of the planners. In 1978 around 700 kinds of producer goods were allocated by the plan; by last year the number was below 20. In the rapidly growing non-state sector, almost no inputs or outputs are covered by the plan. But even in the case of state-owned firms, if an industrial survey by the Chinese Academy of Social Sciences can be believed, as long ago as 1989 around 56% of inputs were bought outside the plan and almost 40% of output sold outside the plan. Today the market rather than the plan distributes almost 60% of coal, 55% of steel and 90% of cement.

(2) It is therefore no surprise that prices are coming closer to reflecting true scarcities. The two-track pricing policy that the government introduced in the mid-1980s gave rise to some predictable corruption, as middlemen bought cheap at state-set prices and sold dear at market prices, but at least the policy introduced market pricing into the system. More important, it made market prices the relevant ones for non-corrupt marginal decisions by most factory managers (because, provided the state



Better design, less planning

quota accounts for less than all the inputs and output, the cost of an extra unit of input and price of an extra unit of output is fixed by the market). And market pricing is spreading. In September the government cut the number of raw-material inputs subject to price controls to 89, meaning that the prices of 75% of these items, by value of sales, are now market-set. Moreover, since mid-1991 the government has taken advantage of a period of price stability to raise state prices like those for grain and coal much closer to market levels.

(3) Competition has spread through the economy from many sources. One source is foreign trade and investment. A bigger source is the inter-provincial rivalry released by the decentralisation of economic power. Every Chinese province has been transfixed by the success of Guangdong, whose real GDP has grown by an amazing 13% a year for the past 14 years. All realise that Guangdong has had the incomparable advantage of being next to Hong Kong. But most now realise as well that Hong Kong would not have knocked on Guangdong's door had it not been for the province's pro-business government and the small share of state-owned firms there. The result is that provinces are striving to outdo each other not just in attracting foreign investment but in designing and carrying out models of reform. It is strikingly like the social and economic experimenting that America's federal system was intended to achieve.

The biggest spur of all to competition, however, has been the luxuriant growth of industries, mainly in the countryside, that are not owned by the central government but are not exactly private either. These unusual creatures deserve an article of their own, which comes later in this survey. It is enough for now to note that the "collectives" have spread throughout China, competing vigorously with each other and with the state firms too.

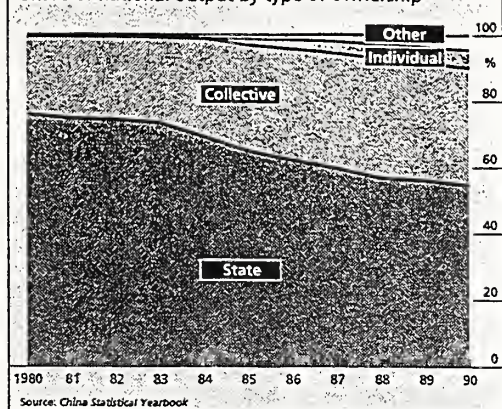
These developments have created an economy





Social decline

Share of national output by type of ownership



that looks less socialist all the time. China's industrial structure resembles that of its East Asian neighbours far more than that of its former ideological friends in Russia and Eastern Europe: Chinese industrial output is dominated by a huge number of small firms rather than vice versa.

It is the smaller firms that are growing. In 1978, just before the reforms began, state-owned firms accounted for 78% of China's industrial output. The state share has fallen by more than two percentage points a year ever since, and is now just over half (see chart). The Chinese government guesses the figure will hit 25% by 2000. If agriculture and services are taken into account, the state's share of Chinese output is already no more than 25%: some West European countries should be so lucky.

The most significant change in reformist China is how much more efficient the economy has become. Between the mid-1950s and the mid-1970s, a horrifying era that included the Great Leap Forward and the Cultural Revolution, China's real GDP grew by a respectable 5-6% a year. But it seems

that, in the two decades before the reforms started, China's "total factor productivity" did not increase much, if at all. This mouthful represents the best measure economists have for how efficiently an economy is combining inputs of capital and labour to produce a given amount of output. Practically all of China's pre-reform growth came from adding more inputs, especially capital, not from using them more efficiently. With savings and investment rates as high as China's—both run at around 35% of GDP—economic growth can be bought for a long time this way, but not for ever. Without productivity growth, an economy sooner or later stops growing.

Things changed in China after 1978. By one recent calculation, the total factor productivity of China's state firms rose by almost 2.5% a year during the 1980s, up from zero in the pre-reform years.* The same figure for non-state firms in the 1980s was 5%. In both cases, productivity growth picked up speed as the decade went along.

There are other signs that the Chinese economy is becoming more competitive and efficient. Profitability in state and non-state industries is declining at the same time as their productivity is going up. Returns in the state and non-state sectors are beginning to converge. And the range of profit rates across industries is also narrowing—from 7-98% in 1980 to 8-23% in 1989. All this suggests an overall reduction in monopoly power and profits and an equalisation of returns across regions, industries and companies.† In gathering political support for his reforms in the early 1980s, Mr Deng said he was aiming to build "socialism with Chinese characteristics". It is now obvious that he has been building capitalism with Chinese characteristics.

*G. Jefferson, T. Rawski and Y. Zheng, "Growth, Efficiency and Convergence in China's State and Collective Industry", *Economic Development and Cultural Change*, 1992

†B. Naughton, "Implications of the State Monopoly over Industry and its Relaxation", *Modern China*, January 1992

The faltering state

An inflationary crisis within two years will test the government's reformist mettle

THE 14th Communist Party Congress, held in October, set the official seal on China's fourth wave of reform. The coming reforms will have to deal with the awkwardness that, for all China's progress in creating a market economy at the level of the firm, it has been bad at improving the government's economic performance. More awkward still, China is starting to tackle the government's role at the same time as inflation is building to a peak.

The new agenda of reform is daunting:

- Market splintering. Goods and capital can move relatively freely around China, but not labour. There has been some relaxation, but for the most part people still need formal permission to move from place to place.

Even in the case of goods, an unhappy by-product of the generally welcome decentralisation of economic power is that local governments feel freer to protect local industries. Extortion also takes its toll. Machinery cannot be shipped from one part of

China to another without running the risk of policemen or soldiers demanding bribes to let it through or simply helping themselves to a motor or other parts for resale elsewhere.

- Infrastructure. Transport has suffered decades of neglect, with investment in railways running at about half the level (as a share of GNP) invested by countries like South Korea, India and Brazil. China has one of the world's smallest railway networks in relation to population and arable land, and one of the highest utilisation rates for freight traffic. This fragments the national market and raises costs substantially.

Energy prices have been kept extremely low, so energy is used inefficiently and is in short supply. Human capital too is being neglected. China has one of the world's lowest rates of student-age people in higher education.

- Administrative opacity. The burden of arbitrary government decision-making is heavy. Why a decision is made and even who makes it are often hid-

den. At best this slows down projects, at worst it increases corruption. At a higher level, the lack of a rule of law increases the arbitrary nature of government power, jeopardises the predictability and security of contracts and property rights and opens opportunities for waste and corruption.

•Government finance. The chart shows the collapse of government revenues since the reforms began, from more than 34% of GNP in 1978 to under 20% now. Both central and local governments have suffered, though for reasons that will be explained later the decline in local-government revenue does not mean a decline in local-government power. The central government has lost its power to commandeer the profits of state-owned firms and to direct their investments. Its revenues come from increasingly inadequate tax collections that are not fixed but instead negotiated with lower-tier authorities. This adds to the distortions of the administrative system. Both problems could be relieved by switching to a simple low-rate value-added tax as the main source of revenue, but the government shows no sign that it is about to follow technocratic advice to do this.

If revenues cannot rise to cover the persistent budget deficit of 2-3% of GDP, perhaps spending can fall? There is an obvious place to cut. If the government could stop making up for the losses of state-owned firms, and stop paying price subsidies to these firms and to consumers, the budget gap would be more than closed.

•Financial system and monetary policy. China has come some way from the command system of financial management used in pre-reform days. Savings and investment decisions are made more and more by individuals and firms and less by government fiat. Household financial assets as a share of GNP are already 51%, compared with 54% in Japan in 1954.

Even so, banks are still directed to make loans for reasons of government policy rather than on commercial grounds; as a result, their balance sheets are thought to be frighteningly weak. The central bank's tools of monetary control remain primitive. It can move short-term interest rates and reserve requirements, but when it really wants to crack the monetary whip it must still rely on quantitative credit controls.

The government's fiscal and monetary policies are about to be placed under further strain. Ever since the reforms began, China's economy has been

plagued by sharp stop-go cycles. The sharpest turn in these cycles came in 1988, when big rises in urban prices—they reached 80% at an annualised rate—led to a drain of private savings from the banking system and a run on the shops. China's revolutionary elders have crystal-clear memories of what inflation and shortages did to their Nationalist foes in the late 1940s, and in September 1988 conservatives wrested control of economic policy from the reformist secretary-general, Zhao Ziyang, and imposed austerity. The clampdown, which lasted for two years, succeeded in getting inflation down but did nothing to further the conservative aim of bringing more of the economy back under administrative control.

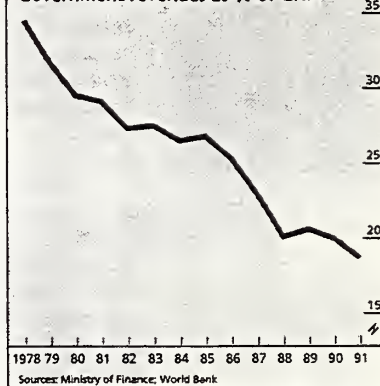
Once credit was relaxed in 1991, the boom resumed. For two years the supply of broad money (M2) has been growing at an annual rate of almost 30%. Credit expansion in the first half of 1992 was twice what the government had planned. By early autumn, price rises in the 35 biggest cities were running at double-digit annual rates. Stocks of raw materials were dwindling because of rising industrial demand.

Optimists claim that, this time, China can negotiate a gradual switch to non-inflationary growth rather than crashing the economy to slow inflation down. They point to the greater flexibility of supply compared with 1988 (much more output comes from non-state firms), rising personal bank deposits (which suggest inflationary expectations are not getting out of hand) and the increasing monetisation of the economy (which, rather than excess demand, explains the rapid monetary growth). The optimists ignore the structural pressures for overheating, of which the biggest is the interest of local governments in pushing credit expansion, output and investment to the hilt, whatever the central government says about it.

The optimists are unconvincing, but the next macroeconomic crunch will nonetheless contain an opportunity. It should show just how far China's rulers are prepared to go in correcting the one inefficiency in which all the others are bound up: the running of the state-owned firms.

Downhill all the way

Government revenues as % of GNP



The commanding heights

THE Wuhan Iron and Steel Company, 1,000km (625 miles) inland from Shanghai on the banks of the Yangzi river, is anyone's worst nightmare of a communist industrial firm. Its 120,000 employees produce 4.6m tons of iron and steel a year, making it China's second-biggest metallurgy company. To reach the blast furnaces, you drive for miles through the acrid air of the company's "plantation": a city of 300,000 people who depend on the company not simply for a wage but for their housing (the plantation contains 2.4m square metres of residen-

tial space), their education (there are 47 schools) and their health care (a 2,000-bed hospital).

The firm claims, vaguely, to be profitable. This seems improbable, since 80% of its output is sold at government-fixed prices and the company sells only 2% of its output itself. Suppose it were thrown entirely on the mercies of the market. If profitability became its main aim, how could the firm possibly sack enough people, depriving whole families not just of wages but of housing and schooling as well?

Why privatisation may not be needed



That is the Russian face of Chinese state industry, the one that makes reform seem impossible or at least (as in Russia) impossibly cruel. There is another face, also in Wuhan, not too far away. It is a textile company called Wuhan Cityford Dyeing & Printing. Formally, this is a joint venture with a foreign partner. In fact, it is a Hong Kong firm's takeover of a state-owned company called Wuhan No 2 Dyeing & Printing Factory.

The Hong Kong partner, which took over last June, agreed to absorb into the new venture only about a third of the workers from the old company. These 750 are each being paid around 320 yuan (\$58) a month, a little less than three times their wage at old No 2. Performance-related bonuses will come later; fines for negligent work have come already. The firm's administrative departments have been cut from 35 to three. Most of No 2's output was sold in China; 70% of the new firm's output is destined for abroad. Using mostly the 1960s Japanese equipment of the old firm (though that is slowly being supplemented by 1970s-vintage Hong Kong machines), one-third of the old workforce is already producing more, of better quality, on a third fewer production lines. The old firm apparently lost money. The new one began turning a profit—as it knows it has, since it has Hong Kong accountants and their systems—in four months.

The dismissed workers? Several hundred got jobs in service businesses—like catering, shops and guesthouses—affiliated with the new company. The Wuhan city government, keen to bid foreign investment away from the coastal provinces, has given tax breaks to these service outfits to make them profitable. Another several hundred workers have been sent home (their old firm's housing has not been taken away from them), on hand-outs from the city government equal to two-thirds of their old wage.

Two paths to reform

The theory of why state-owned firms in communist countries are so bad is best described by Janos Kornai, a Hungarian-born economist at Harvard. Communist firms are geared towards the bureaucrats who give them orders rather than the customers who buy from them, towards output rather than profit, towards the social welfare of their employees rather than efficiency. Market signals become even more muffled because the "soft budget constraint" given to a firm by the state banking system ensures that loss-makers, no matter how hopeless, continue to be financed so that jobs are not jeopardised. Lacking profitability as a guide to the right level of capital and output, firms feel an insatiable "investment hunger".

In broad terms, China's state firms bear out the theory. During the reformist decade of the 1980s, the losses of state-owned firms rose. In 1991, a year of recovery for the Chinese economy, their losses grew by more than a fifth, to 55 billion yuan; the government paid state firms subsidies amounting to nearly 51 billion yuan, equal to 14% of government revenue. Unbelievably, this understates the problem. Last summer a senior official admitted that the share of loss-makers among state enterprises was in fact twice the acknowledged figure of one-third. Losses are disguised by accounting methods that put too high a value on stocks (inven-



Comfortably propped up

tories), which are so unsaleable that they have actually risen in this year of booming consumer demand. Another prop of unknown size is provided by the state-owned banks, which are compelled by the government to make soft loans to state firms. One survey of 400 state-owned companies found that more than half had had trouble servicing their bank loans.

The managerial reforms that the government has dabbled in since the mid-1980s have had no apparent impact. One example: China has had a bankruptcy law since 1986, but it still has almost no bankrupts. The pessimism of visitors to China like Jeffrey Sachs, a "big-bang" proponent from Harvard (and adviser to the Polish and Russian governments), who has said that without wholesale privatisation the Chinese economy will grind to a halt, seems well-founded.

Yet, as the two tales from Wuhan suggest, there is a wide variation among state firms in terms of size, political sensitivity and competitive fitness; the conditions for a successful piecemeal reform of state enterprises are not as bleak as they seem. For one thing, the losses are concentrated in certain industries and regions whose special circumstances make a systemic breakdown of state industry seem implausible. Thomas Rawski, an economist at the University of Pittsburgh, found that of the 23 billion yuan that state industries lost in 1989, almost 40% was accounted for by coal and oil companies. They lose money for a simple reason: the government orders them to sell their output well below cost (the state-fixed price for coal last year was less than a third of the market price). Another quarter of the losses came from two provinces, Jiangsu and Zhejiang, which are among the most dynamic in China; profitability of all businesses, not just state-owned ones, is low there because competition is so stiff. Another 11% of the losses were in the defence industry.

An earlier article mentioned that the productiv-

ity of state firms, though lower than that of non-state firms, started growing after the reforms began in 1978 and has been accelerating as the reforms have deepened. If the efficiency of state firms is improving, it may be because their incentives are changing. It was typical of East European and Russian firms that increased profits meant no increase in retained earnings (and sometimes even a decline): if there were more profits, the government simply helped itself to them.

In 1980 the same thing was true in China. But this changed as the reforms went along. Two samples of firms examined by Mr Rawski show a strongly increasing tendency over the 1980s for a rise in profits to lead to a rise in retained earnings. Workers had a direct interest in this: bonuses increased nearly in lockstep with retained earnings. But what interest do state managers have in obeying the market rather than the bureaucrats? This, recall, is Mr Perkins's fourth requirement for a functioning market economy, and the one China is still furthest from meeting.

But perhaps closer than it seems, to judge by the behaviour of 800 state-owned firms studied by four economists from the University of California at San Diego. They found that government ministries have begun selecting managers on commercial rather than political grounds, and are guiding their performance with rewards and penalties that any western manager would recognise. Top managers at these firms have to sign management contracts that specify performance targets for the firm. Management pay is positively linked to sales and profits. Managers are often required to post a substantial performance bond, averaging 8,500 yuan, half a year's average managerial salary. The threat is not idle: bonds have been forfeited.

Managers are also demoted or fired for poor performance, and in any case change jobs frequently. Factory workers have jobs for life. Manag-

ers at these firms stayed put for an average of only 5½ years, a turnover rate of 18%. Most appointments to the top jobs are still made by government ministries, but towards the end of the 1980s the government increasingly began to auction managerial positions. Bidders were given a look at the firm's accounts. The bids were judged on how much profit they promised to hand over to the supervising ministry during the contract, their business plan, how much they agreed to invest out of retained earnings and so on.

None of this means there is much to cheer about in China's state firms. By any measure—productivity, profitability, return on assets—the state sector is vastly inferior to the non-state firms. But with the signs that China's state firms have begun responding to the currents of competition flowing through the economy, it is possible that a big and painful programme of privatisation may be unnecessary. Gradual “marketisation”, through changes in incentives, reforms of the banking and welfare systems and takeovers by non-state and foreign firms, may work. That would have one huge advantage: some continued state control over state-owned enterprises to prevent Russian-style “spontaneous privatisation”—looting by managers and workers of the assets of the firms they work for.

Gradualism also has an encouraging pedigree. Lawrence Lau, an economist at Stanford, points out that in 1952 around 55% of Taiwan's value-added in manufacturing, and 90% of industrial assets, were accounted for by state-owned firms. Today Taiwan's state-owned companies own 20% of industrial assets and account for 10% of manufactured exports. Taiwan accomplished this with virtually no privatisation. It simply grew the non-state businesses much faster. If China can duplicate the feat, it will be thanks to two things: a unique form of corporate life spawned by rural China, and foreign trade and investment.



Down off the farm

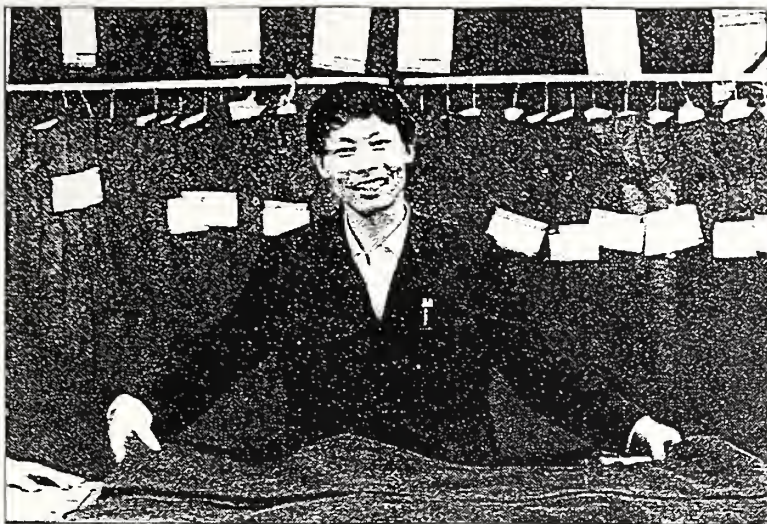
ONE of the most extraordinary events in industrial history was as much of a surprise to the people who unleashed it as it has been to the rest of the world. Deng Xiaoping expected the creation of family farms to drive up farm incomes and output; after all, he had urged this on Mao back in the 1960s. But Mr Deng himself has confessed he had no inkling of the rural industrial revolution that would follow.

In 1978 there were 1.5m non-state industrial firms in the countryside, employing 28m people. By 1991 there were 19m rural industrial firms employing 96m people. The output of these firms has been growing by an average of nearly 30% a year for more than a decade. Their exports grew by 65% a year in the last half of the 1980s. By some accounts, their total factor productivity was growing for parts of the 1980s at rates of up to 15% a year. By the early 1990s, rural industries accounted for nearly 40% of China's industrial employment, more than a quarter of industrial output and nearly a quarter of exports. The provinces where rural industries are



Deng, the unexpected revolutionary

A new form of corporate organisation has transformed China



Measuring up the competition



strongest—the coastal belt stretching from Guangdong in the south to Shandong in the east—have been the source of China's miracle: a region of 290m people that in the past 15 years has broken all records for economic growth in such populous places.

Rural China has been remade. When the reforms began, farming accounted for 70% of rural output, industry for 20%; now farming accounts for 45% and industry for only a point or two less than that. Most of the rural firms—55% by output value—are in light industry; but the rest are in heavy industry, competing with China's state-owned companies. The growth of similar enterprises in the cities, and of unabashedly private firms and foreign-owned firms everywhere, added to the flood of non-state output and employment that has knocked the state's share of industrial output down to half, compared with 78% in 1978, and its share of non-agricultural employment down to 40%, from 60% in 1978. With all due credit to the others, rural industries are the ones that really did it.

New corporate man

The lay of the land would seem more familiar if "non-state" in China meant "privately owned". It does not, or not necessarily. For the most part, China's rural industries are, in the words of Ronald McKinnon, a Stanford economist, "a form of corporate organisation that hasn't been created before".

Most of the rural industries, technically known as "township and village enterprises" (TVEs), are controlled by units of local government: counties, townships or villages. Managers are answerable to local officials and to the householders who have started the business or invested in it (plenty of overlap, usually). Some of the TVEs' profits go into local infrastructure like roads and schools, some are retained for investment, some are paid out to individual householders as dividends. The main features of the TVEs are:

- **Ownership.** It does not seem to matter. As elsewhere in China's economy (eg, land leases), considerable insecurity about formal protections is outweighed by the personal connections (*guanxi*) that

apparently guarantee an enterprise will honour the claims on it. In some provinces, TVEs are a simple cover for private companies; in others they represent genuine local-government ownership. It is hard to find any difference in performance.

- **Lack of planning.** Because the TVEs developed spontaneously, almost no laws or regulations guide them. Nor, because of their small size, do they have any market power.

- **Competition.** It is ferocious. The TVEs have no market protection inside China, and a large part of their growth has anyway come from exports, where they fight not just with each other but with the world. Local governments struggle with each other to offer good terms to foreign investors and to lure managerial talent from other parts of the country.

- **Political correctness.** Irrelevant. Workers have no job security, and the only party line that counts is the bottom line.

- **Budget constraints.** Far from being soft, they are adamant. The central government may be willing to ladle out money to the (almost entirely) urban state-owned firms, but local governments in the countryside refuse. Because the revenue of local governments depends so heavily on the performance of TVEs, the bureaucrats in charge are as profit-motivated as the managers.

Entry of firms on a gigantic scale is matched by exit on the same scale. During the austerity of 1989, losses of state-owned firms soared; none went bankrupt. The same year, 3m TVEs went under or were taken over, even though proportionally four or five times as many state enterprises as TVEs were loss-makers. Mr McKinnon says that the great blessing of the countryside, and of China's rulers, is that farmers had no access to bank credit. They had to build up huge savings instead, which they have deployed through ill-understood informal channels both to impose hard budget constraints on rural industries and to keep China's government from going broke.

One example

Since all groups of TVEs are different, a look at the plans of one of them is as good an attempt as any to predict the fate of all of them.

Xiao Shan, a county seat half an hour from Hangzhou, capital of Zhejiang province, presides over immaculate green fields watered by streams on whose banks well-off peasants have begun building houses that look as spacious and comfortable as those of rural France. Xiao Shan is one of the ten richest of China's 2,200 counties. Last year its 1.2m people generated output (excluding services) worth 10.5 billion yuan—the seventh-biggest output, according to the local planners, of any county in China. Of that, 900m yuan came from farming, the rest from industry. Since the reforms began in the early 1980s, industrial output has grown by an average of 30% a year. The planners expect growth this year to be higher—35%—resulting in a total output of some 14 billion yuan, only 1 billion yuan of it from farming.

Ten years ago Xiao Shan's output was mainly agricultural, with traditional lace embroidery as the big industrial product. As the decade went on, Xiao Shan shifted into cotton yarn, cloth and shirts. It now makes electrical machinery, universal joints

for vehicles and precision presses. At the beginning Xiao Shan was mostly self-contained: it procured raw materials locally, processed them locally and sold the output locally. It gradually expanded its field of operations, first within China and then overseas. In 1981 Xiao Shan exported \$15m-worth of goods. Exports have since grown by 35% a year, and now find buyers in 80 countries. Last year exports reached \$150m in value, this year \$200m.

Some 70% of industrial output comes from TVES, only 10% from state-owned firms. The county has no role in the TVES other than collecting taxes; this is different from other counties such as Wuxi, in Jiangsu province, sometimes known as "Wuxi, Inc", where the county government acts as a sort of holding company for the TVES. Xiao Shan's TVES are almost like partnerships, even though they are owned by the townships and villages concerned. Some company earnings are retained for investment, some paid out to the "partners", some invested in schools, roads and hospitals for the township or village that owns the company.

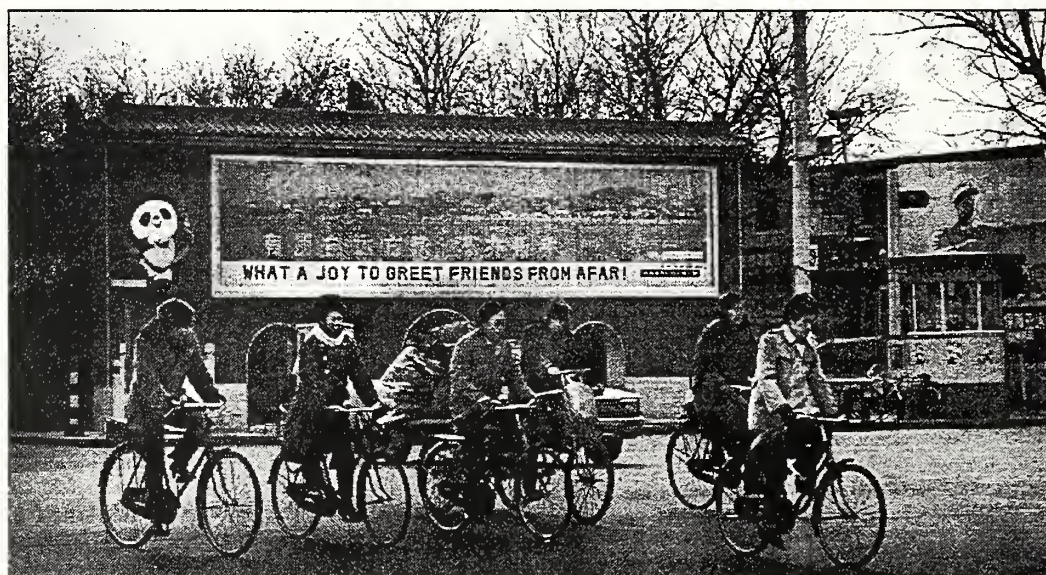
The main lesson Xiao Shan's planners draw

from a decade of reform is that localities should push reform to the limit of every opening the central government gives. This philosophy—if Beijing gives you an inch, take a mile—is typical of China's successes, Guangdong province in particular. Xiao Shan has applied it to the taxation of TVES. They are supposed to pay a single rate of 55% on their income. Xiao Shan actually collects a tax of about 15%. The difference is accounted for by policies, decided on locally, to give exemptions or reductions for various activities: building a new factory, for instance.

The county planners are putting their creative powers into what they think will be the competitive battleground of the 1990s: attracting foreign investors as joint-venture partners for TVES. There is now about \$50m-worth of foreign investment in Xiao Shan. The planners want an additional \$400m in the next few years. The central government has rules about special zones for foreign investment. Xiao Shan is avoiding the bother of these rules by not calling the zone it is setting up a "zone". Foreign investors are more on Xiao Shan's mind than Beijing bureaucrats are.



Sino xenophilia



A bracing wind is blowing through the open door

IN NOTHING does China more resemble its East Asian neighbours, and less resemble the command economies of the ex-Soviet block, than in its policies on foreign trade and investment. China has gone so far towards opening itself to foreign economic influences that the only things really holding it back from full participation in the world economy are the continuing failures of its domestic market.

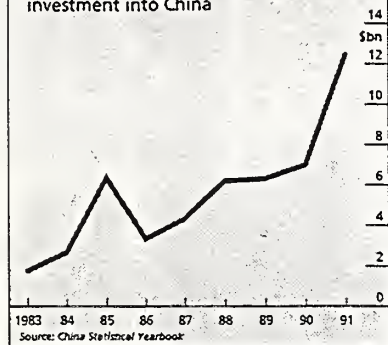
The pattern of China's foreign-trade reform follows the lines of its other reforms. A modest change, introduced with a narrow aim, releases undreamed-of energies that hijack the process and sweep it along with their own pace and logic. In 1978 China's economy was one of the world's most isolated, with a tiny share of world trade; commod-

ities, especially oil, accounted for most of China's exports. Foreign trade and foreign exchange were under the monopolistic control of a central-government ministry, which used the overvalued currency to support the import-substitution policies of the central plan. The inflow of foreign direct investment was less than \$300m a year.

Between 1980 and now, the dollar value of China's trade has grown by more than 12% a year (in nominal terms), more than twice as fast as world trade. China's trade is up more than four-fold in nominal terms; barring a trade war of some sort, the nominal value of China's trade in 1995 should be approaching \$300 billion. Exports have gone up five-fold in nominal terms, and almost 80% of them are now manufactures.

Knocking at the door

Contracted foreign direct investment into China



Trade is handled not by a monolith in Beijing but by some 3,700 general trading companies scattered throughout the country. Repeated devaluations have lowered the real effective exchange rate to about a third of its pre-reform value. Companies are now allowed to retain a large share of their foreign exchange (they used to have to hand it over to the monolith) and to trade this on currency markets called swap centres. Around \$20 billion was traded in 1991.

Foreign investors are stumbling over themselves trying to squeeze in. A potential \$1 billion-plus in foreign "China funds" is chasing no more than \$100m in equities on China's two small stockmarkets. Direct investors are keener still. By last year there were around 20,000 foreign ventures in China, with a cumulative investment of \$22 billion. Some \$3.5 billion was invested in 1991. In the first nine months of 1992, the government approved applications for 27,000 projects with a total value of more than \$30 billion. Much of that will never get beyond paperwork. The astonishing figure is that, in the first nine months of this year, \$6.6 billion was actually invested in China, almost twice as much as in the whole of 1991. It is likely that for 1992 as a whole China will receive a quarter of all the foreign direct investment flowing into the poor countries of Asia, and 15% of that flowing into poor countries worldwide. It will receive four or five times more foreign direct investment than Japan, and 40-50% as much as America.

Nicholas Lardy, an economist at the University of Washington, has looked at why this remarkable change in China's trade and investment behaviour came about. Chinese planners originally thought of the opening-up as nothing more than a method of earning foreign exchange to help finance the do-

mestic reforms. They assumed that the rise in exports would come from sales of oil.

In the first five years that is what happened. But the early reforms—decentralisation of the trading apparatus, and (via a lower exchange rate) bringing prices of tradable goods in line with world market prices—were meanwhile gradually eliminating the anti-export bias of China's trade regime. In a whoosh after 1985, China's exports began reflecting the country's comparative advantage. There were huge rises in exports of labour-intensive manufactures.

Exactly as elsewhere in East Asia, benefits went to the producers and places that were most free to respond to the outside world: the TVES, whose exports rose from \$3.9 billion in 1985 to some \$15 billion in 1991; foreign-financed companies, whose exports rose from \$300m to \$12 billion; and the coastal provinces—especially Guangdong, whose exports rose from \$3 billion to \$13.7 billion. This is why those in America's Congress who want to restrict China's exports to punish its leaders either are deliberately trying to blunt the forces for liberalism and progress in China or are fools.

A welcome mat for the barbarians

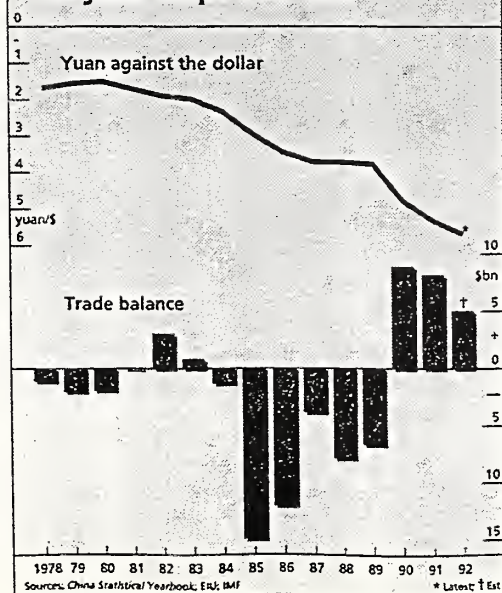
The further liberalisation of China's trade regime was given a big boost by the market-opening agreement that the Chinese and Americans reached in October. It commits China to cleaning up the opaque regulations and quantitative barriers that it has used to obstruct imports. This, along with steps towards making the currency convertible, should open the way for China's admission to the GATT before long. The trade-driven East Asian road to growth should then be more or less cleared for China to travel down.

The future of foreign investment in China is more intriguing. It is hard to think of a big country—certainly not Japan or South Korea, in their day—that has opened itself so deliberately to foreign investment as an instrument of growth. Already, foreign-financed ventures account for a quarter of China's manufacturing exports, a figure that matches the share in Taiwan in the 1970s.

Much of the recent rush of foreign investment will prove to have been silly. Locals in Shanghai say that Hongkongers and Taiwanese are paying far too much for property there. But the odds are that foreign money will continue to roll in. The recent opening of diplomatic relations between China and South Korea has given the green light to the ample investment ambitions of the big Korean companies. Emperor Akihito's visit to China in October may have done the same for Japanese companies.

The biggest opportunities, both for foreign investors and for China, may lie in the policy realm: the intentional use of foreigners to reform recalcitrant sections of the economy. Chinese planners hope to expand China's puny service industries—which today account for only 20% of GNP, about half the level for India and Indonesia—as a way of absorbing workers cast off from reforming state-owned industrial firms. Foreigners are for the first time being allowed to set up service businesses. Yaohan, a Japanese firm based in Hong Kong, is building one of Asia's biggest department stores in Shanghai. American International Group, a big

The yuan steps into line



American insurer, has just been allowed to reopen shop in Shanghai after a 43-year absence; it is selling life insurance to locals, and general insurance to foreign-backed companies. The greatest chances of all may lie in taking stakes in state-owned firms. Several Hong Kong companies and at least one American firm have started doing this.

Something important must change, however, if all this is to bear fruit. Lee Kuan Yew, Singapore's former prime minister, has pointed out to the Chinese that, so far, almost three-quarters of their foreign direct investment has come from the overseas Chinese of Hong Kong and Taiwan. The reason is that these people have relations and good contacts in China (*guanxi* again), and feel at home with the

mainland's informal ways of doing business.

That has been fine as far as it goes; but, as Mr Lee says, if China hopes to benefit in full from the technology and management methods of the West and Japan, it is going to have to develop a rule of law. The China International Economic and Trade Arbitration Commission handles more cases each year than any other arbitration panel on earth; but its decisions are in effect unenforceable in Chinese courts, because they refuse to issue orders against Chinese defendants. That cannot go on if China hopes to get the best the outside world has to offer. The only other thing foreign investors really have to worry about is that ticking time-bomb called the Communist Party of China.



Land of the living dead

IN 1981, a Belgian scholar and journalist who uses the pen name Simon Leys wrote that

China under communism appears more and more like a dead planet; it is on a steady orbit, but the very nature of its political atmosphere prevents any kind of growth, and even seems to preclude the emergence of life; yet it will pursue its sterile and immutable course—till a random collision makes it explode.

Mr Leys deserves credit for writing honestly (at a time when many western observers were lying) about how appalling China was under Mao. But, though the tone of his political observation seems right, life and growth have nonetheless burst forth in China over the past decade. The chief mystery about reformist China, and the most frightening uncertainty in its future, is how an ideologically drained Communist Party has produced one of the century's greatest economic miracles. If the party explodes, will the miracle go bang too?

When the black Cadillac comes for Deng

The Communist Party's 14th Congress, held in Beijing in mid-October, is not a hopeful place to begin. On the surface the news was pretty good. Jiang Zemin, the party's general-secretary, whipped through a two-hour keynote speech that confirmed the good intentions telegraphed over the previous nine months by Deng Xiaoping's visit to southern China in January and his subsequent campaign to entrench economic reform. Around half the members of the party's Central Committee were kicked off, to be replaced by somewhat younger people, more technocratic and more representative of provincial—as distinct from central—interests. The Politburo, too, was spruced up, though in a way that reflected a careful compromise between conservatives and reformists.

The body that really matters, the Standing Committee of the Politburo, was given a more reformist cast. Two rock-ribbed elders were sent packing; they were allies of Chen Yun, an 87-year-old conservative and the only man who can come close to rivalling Mr Deng for influence in the party. Mr Jiang stayed in place, as did Li Peng, the conservative prime minister and presumed architect of the Tiananmen Square killings in 1989; Li Ruihuan, an economic reformist from the coastal city of Tianjin;

and Qiao Shi, an organisation and public-security man, who is thought to back economic reform. In came Hu Jintao, formerly in charge of Tibet; Liu Huaqing, a former admiral with 62 years of military service under his belt; and—most conspicuous of all—Zhu Rongji, Shanghai's former mayor, Mr Deng's protégé and a somewhat thuggish reformist who has been given supreme authority over economic policy.

Policy-making will be affected by these personnel shifts, but before long they will be overshadowed by the implications of the telling (and moving) scene that was played out on the last day of the congress. The tiny Mr Deng, 88, guided by his daughter, walked stiffly through the Great Hall of the People, waving occasionally to the applauding delegates. His hands shook badly. He may be dead by the time you read this.

Politics at the pinnacle of China's Communist Party is a cruel affair, conspiratorial and paranoid, though at least the Chinese have never indulged in the Soviet habit of killing those who fall from favour. Top-level politics is also, like much else in China, intensely personal and lawless, which makes it unstable. Mr Deng, still the most powerful man in China, has two official positions. He is the honorary chairman of the Soong Ching Ling Foundation; and the "most honorary president" of the

The Communist Party has nowhere to go but down



Jiang and Zhu: very much alive



Bridge Association (he is an enthusiastic bridge player). Power in China does not flow from office but from personal prestige and connections. Mr Deng's standing and his connections are impeccable—especially, thanks to his experience in the 1930s and 1940s as a field commander in the revolution, his ties with the army.

Mr Deng has been trying for a decade to arrange a political succession that will stick. Hu Yaobang, his first anointed, fell in 1987 after failing to control pro-democracy demonstrations. The second, Zhao Ziyang, was ousted in the shambles of Tiananmen Square in 1989. Mr Deng has said Mr Jiang is the "core of the third generation", a collective leadership that will presumably also include a prominent place for Mr Zhu.

But the third generation, and especially its "core", is unlikely to last long after Mr Deng dies. It is far-fetched to think that Mr Jiang, sometimes described as a "soufflé" for his political and intellectual lightness, has the respect of the army; Mr Zhu, for his part, has earned plenty of enemies with his bluntness. The power of Mao's designated successor, Hua Guofeng, lasted only two years after the Great Helmsman passed away in 1976. Mr Deng's death will probably set off a power struggle as big and vicious as the one that took place then.

Leaders come, leaders go, the party stays

That need not, however, mean the disintegration of the Communist Party, or even much disruption for it. Yan Huai, formerly an official in the organisation department of the Central Committee and now with a research institute in Singapore, has written a detailed inside account of the organisation of political power in China. He describes a system characterised by turmoil and job insecurity at the top, with swift and violent changes in political atmosphere; but also considerable stability and continuity of the organisation down below.

There is no doubt about the hazards of life at the top. During the 43 years of Communist rule, on average half of the members of each Politburo Standing Committee have been deposed for "mistakes they have made." When the changes happen, they come like a thunderclap. The ousting of the Gang of

Four after Mao's death, of Hua Guofeng, Hu Yaobang and, most recently, of Zhao Ziyang and Hu Qili following Tiananmen: all were swift affairs. Once a coup is executed, moreover, it is back to business as usual for the governing apparatus.

That happens because the party has been so effective at extending its tentacles into every part of Chinese life and at rewarding its agents in the party itself, in the government and in the army. The Chinese Communist Party has 50m members, the state bureaucracy 30m employees (not counting production workers in state-owned firms, who add another 70m or so). The party keeps control through a highly centralised and intrusive system of supervision that stretches from Beijing to the smallest and most remote townships, that penetrates the organs of party and government, barracks and factories, schools and neighbourhoods. The party is, Mr Yan writes, "an omnipresent, omniscient, criss-crossed, interwoven force controlling the entire system of political organisation."

The loyalty of government employees is assured not just by the party's watchful eye but also by a centralised system of ranking, privileges and controls that closely follows—indeed improves upon—the 2,000-year-old methods of the Chinese imperial bureaucracy. Even religious orders have been absorbed: "the Buddhist abbot is ranked at the department level and the Buddhist monk is ranked at the section level."

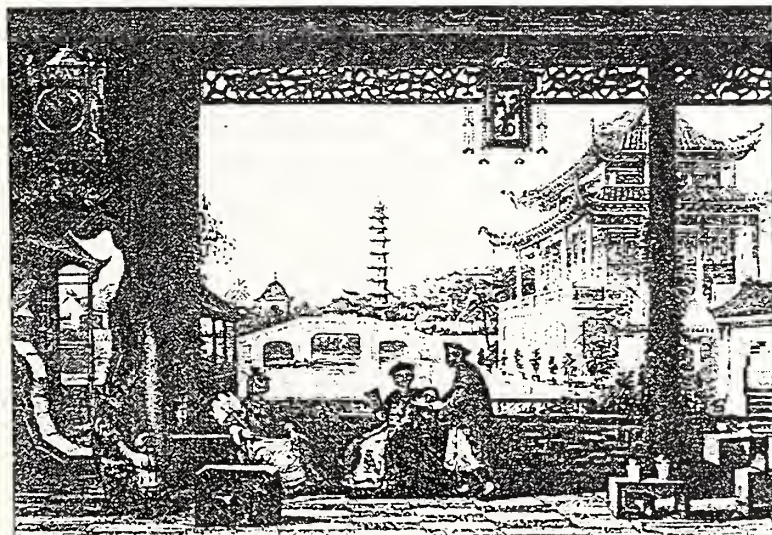
The loyalty of army officers, conservative types anyway and accustomed since Long March days to obeying the party's orders, is further guaranteed by material perks and growing military budgets. The loyalty of ordinary soldiers is not a problem; they are peasants and not prone to find fault. And the loyalty of the ordinary citizen? In the countryside it is not an issue; well-fed peasants are uninterested in politics. In the cities the party does not expect (nor does it receive) loyalty. All it wants is obedience, which the "unit system" of household registrations, records and personnel files can fairly reliably deliver.

It sounds just like the system that splintered and disintegrated in the Soviet Union last year—only even more totalitarian. But there are four critical differences between Mikhail Gorbachev's Soviet Union and Mr Deng's China.

(1) The weightiest is that the Soviet Union was a colossal economic failure and China has been a colossal economic success. It is rare, if not unheard of, for a government that has raised living standards as spectacularly as China's has simply to collapse. Such a government may be unpopular, and may even be challenged (as China's has been several times); but that is a long way from the spontaneous implosion the Soviet government suffered on account of a complete failure to do its main job.

(2) China is still three-quarters rural. By all accounts, the Communist Party is still fairly popular in the countryside. It certainly does all right at representing rural interests, whether in smallish matters like delivering aid after the floods in the summer of 1991 or in the huge matter of the rural economic reforms.

(3) There are no alternative power centres. Remember that the Soviet Union collapsed only after six years of *glasnost* had spawned debate, some ru-



Party officials in the old days

dimentary democracy and Boris Yeltsin. There has been none of that in China. Student demonstrators, intellectuals, even trade unions, can offer only protest, not an organised alternative to the Communist Party. One Shanghai journalist, jailed for six months after Tiananmen, says that the alternative to Communist rule in China is not democracy: however much some people desire it, none of the social or institutional preparations has been made for it. If the Communist Party goes, it will be replaced by the army, the secret police or warlords (which, incidentally, may prove to be the case in Russia as well).

(4) Keeping power is the only issue for the party. The ideological element of communism in China has vanished (as did the party's original ideals of clean, democratic and egalitarian government shortly after the Communists took power in 1949). Mr Deng's reaction to the Soviet collapse in 1991 was to speed up reform. His logic was that the party's only claim to legitimacy was to deliver the economic goods. If it did so, it would keep power; if not, it could not. This may be an unedifying view of society and government (though it has some echoes of Japan's Liberal Democratic Party); but at least it means that the party at every level is intent on doing whatever is needed to ensure that the economy keeps on growing.

Communist Party and capitalist society

Even so, a paradox has to be resolved sooner or later. If it is to succeed at the task Mr Deng has set for it, the Chinese Communist Party has to stop being Communist. Are even Chinese Communists so pragmatic that they will swallow that?

The party has come a long way already. The totalitarian controls sketched out by Mr Yan have been considerably relaxed over the past 14 years. The party's hand rests much lighter on the economic levers than before; decision-making of all kinds has been decentralised, both geographically and to firms and lower-level governments. And provided people in the cities steer clear of politics, they have freedoms that were undreamed-of even ten years ago. Their private lives are less poked into by party-sanctioned busybodies. They can spend money as they like. They are freer to move jobs or house.

Moreover, the party has a significant role to play in China's transition to a full market economy. As the dismaying incidents of "spontaneous privatisation" in the ex-Soviet world show, a powerful and relatively impartial force is needed to police some aspects of the switch to a market economy; market forces alone cannot provide all the discipline. The party is already girding itself for some rather un-Communist tasks. Documents leaked at the time of



Enjoying a taste of freedom

the party congress in October warn the army and security forces to prepare to stamp out any disorder resulting from planned lay-offs in state-owned firms.

Yet the aim of the transition must be a society and economy in which communism as such is gone. A modern economy, with a rule of law, where people are free to move from one place to another, one job to another and one house to another—all that is flatly inconsistent with the principles behind the system of political control outlined so vividly by Mr Yan. Will the party really renounce the instruments of control that are still embedded in firms and households?

It need not be done all at once, and party conservatives can console themselves with the prospect of a long future of authoritarianism. Taiwan's Kuomintang, which shares the Communist Party's Leninist heritage, took ten or 15 years to build up an internal party democracy and introduce some pluralism into lower-level government, all the while maintaining tight national controls. But sooner or later China is going to have to choose between political communism and economic growth.



Pervasive and irreversible

ONE of the few big Hong Kong companies not to have invested anything in China during the first 13 years of reform began a couple of projects on the mainland this year. "We concluded", says the chairman, "that the reforms were pervasive and

irreversible."

Why irreversible? Lee Kuan Yew gives the best explanation:

Deng knew what he was doing. That's why I think he's a great man. He opened up the system, he opened up the

*China is on its way.
The West should
prepare*

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country and deliberately. He knew it could not be closed up again. You can't close men's minds.

It's no longer a question of what the leaders want. If the leaders don't bring progress and prosperity to replace backwardness and poverty, there will be a revolution in China, a real one in which armies will change sides and will shoot ministers. That's part of Chinese tradition.

The people now know that it's the system that is at fault. They see the Taiwanese. Look at them bringing all their gifts to relatives. They look at Hong Kong. If people in Singapore and Taiwan can make it and people in China cannot, then it has to be because of the stupidity of the Soviet system that Mao adopted. Then let's get rid of it.

The thrust for growth is irreversible. Also, they do not want to reverse it or they will be indicted as inefficient, as incompetent.

And pervasive? Mr Lee again:

Two years ago I was in Gansu looking at 2,000-year-old Buddhist caves in grottoes. The governor turned up to accompany me. He was a Soviet-trained engineer, 51 years old, learning English. He was extremely keen to improve his tourist industry because Takeshita [a former Japanese prime minister] had visited the grottoes a year before and given money for a foundation to encourage Japanese scholars to study how Buddhism came to Japan along the Silk Road.



Getting ready for a new role

He had been to Europe, America, Japan. He was keen to find out about tourism, the oil industry, oil rigs. He heard that we make oil rigs in Singapore. Could he sell us parts? At that age, at that level, deep in the northwest of China, on the edge of the Gobi desert, he's thinking of development of tourism, oil rigs, drilling bits.

It was not an isolated case. No matter where you travel in China today, the most emphatic sensation you get is the intensity of the desire to modernise and to grow. Governors, party secretaries, party representatives on boards of directors: their only interests seem to be foreign investment, trade and economic reform. The concerns of the bureaucrats and public-security men in Beijing are growing fainter all the time in the rest of China.

China has been brought to this position by a 14-year process of what Cyril Lin, an Oxford economist, calls "open-ended reform". It has been a method, if that is the right word, of experiment, diversity and decentralisation. The driving force in it has been competition: between regions, firms, foreign investors and styles of industrial organisation. This has produced some astonishing and unexpected things, most notably the TVES. It has also raised questions about the Russian and East European reforms, especially whether privatisation and settling the matter of ownership are as critical in the early stages of reform as has been assumed.

The hope for China must be that the competitive method will work as well when the Communist Party starts contemplating which it prefers ditching in the next stage: communist politics or economic growth. The pressure to choose is not about to diminish. A real economic growth rate of 8-9% a year sounds extreme. If China does not continue to achieve that rate, it has no hope of absorbing an expected additional 180m people into the labour force between now and 2000.

The experience so far suggests that human welfare would be better served by the Communist Party gradually decommunising itself than by the Russia-like dislocations a sudden collapse would bring. But the end result (say in 2010-20) might be no different. China, with more than a decade of successful reform already behind it and no longer an economy of shortage, would be much better placed than Russia was to start growing again if the Communist Party did evaporate.

Western countries have tended recently to think about the smaller matters concerning China: import barriers, arms sales, student dissidents. These all count, but by 2010 western policy-makers should long since have started thinking about much grander topics. What will happen when a fifth of mankind, already the biggest producers of large numbers of industrial and food products, really start industrialising and exporting? When they start affording the big consumer and infrastructure goods like cars and telecoms systems? When a rich Japan and a becoming-rich and nuclear-armed China start looking hard at their relations with each other and with the rest of the world, especially the United States?

The West cannot say it wasn't given plenty of warning. After advising it to let China sleep, Napoleon went on to add that "when China wakes it will shake the world."

Another Chinese take-off

THE ECONOMIST DECEMBER 19TH 1992

THE contrast could not be sharper: while recession has kept airlines in Europe and North America pinned to the ground, China's airlines are soaring upwards on the back of a market in which domestic traffic is growing by an average of 30% a year. With billions of dollars spent and billions more on hand, China is trying to satisfy surging demand and catch up with the rest of the world by doing everything at once—form airlines, build airports, buy jets, train pilots, upgrade air-traffic control and improve standards of service.

From its sparse beginnings, China's airline industry had plenty of room for improvement. In 1984 the country had only 15 commercial aircraft—mostly outmoded, Soviet-built models. The fleet is now nearly ten times that big, with a dozen firm orders for the latest aeroplanes from Boeing, McDonnell Douglas, and Airbus.

Buoyant economic growth, surging foreign trade and a revival in tourism as the memory of Tiananmen Square recedes have helped to fuel the boom. But decentralisation is the most important factor. Only five years ago, a state-run

monolith, the Civil Aviation Administration of China (CAAC), ran everything. As an airline, CAAC's reputation was defined by its acronym: "Chinese Airlines Always Cancel."

Since 1985 CAAC's regional divisions have become semi-autonomous airlines with their own names and routes. The six biggest have the bulk of the domestic and international routes. But this has not



Some way to go

stopped some cities and provinces from setting up their own airlines. By some accounts, the number of airlines owned by local governments is now 19.

CAAC is expected to relinquish all operational control over the individual airlines and to assume a regulatory role, like America's Federal Aviation Administration. When Jiang Zhuping, CAAC's director-general, said in November that state-owned carriers would be open to private and foreign investment, he sparked enormous interest. CAAC later recanted: its ideas are still preliminary, it said, and foreign airlines may be allowed to buy only minority stakes in regional carriers.

Chinese sources say negotiations with foreign investors could start as early as next year, even though it is still not clear if joint ventures with overseas airlines will be allowed to operate on domestic routes. Two main reasons have been cited for allowing foreign investment: to raise foreign capital, and to import management skills. A plan to allow private Chinese investors to set up airlines is also on the drawing board. Unconfirmed reports indicate that a private freight carrier has already begun to fly. In the murky world of Chinese business, it is not always possible to be sure about such things. But the Chinese dragon is clearly flexing its wings.

To the letter

FROM OUR BEIJING CORRESPONDENT

WITH new year looming on January 23rd, Chinese wishing to send a greeting to loved ones abroad face a testing task. Is the envelope no more than 1.4 times long as wide? Is it no smaller than 140mm by 90mm but no bigger than 235mm by 120mm, and no more than 5mm thick? Are the name and address written in capitals no more than 15mm up from the bottom of the envelope and the same distance from the right-hand edge?

All correct so far? Then join the queue at the customs desk. It might be thought that greetings cards would be above suspicion, but a uniformed officer examines each one, and stamps it, seemingly reluctantly, with the red seal of approval. You may now join the queue for "international letters".

Perhaps, though, you have a parcel to send abroad. This is much more fun. The bleak interior of the post office is enlivened by what seems to be a party, where the game is unwrapping and wrapping parcels. Families gather around communal glue troughs, awaiting their turn for the scissors chained to the tables. You will, of course, have made sure that your parcel does not contain a reactionary book, obscene or immoral articles, live animal or anything radioactive. But what about this item of slinky lingerie? The customs man holds it high for the entertainment of the others in the queue.

THE ECONOMIST JANUARY 23RD 1993



"So what is this for?" he asks archly.

During the long wait for attention, customers exchange experiences of the post office. A woman tells of trying over two days to send a parcel, queueing at seven desks, and filling in 15 forms, with no carbons allowed. In the end she had to repack her parcel into three smaller ones, all going to the same address.

Yet the Chinese are prepared to put up with this nonsense. For many, the post office is the only link with the outside world. And the mail, once it is on its way, seems to be trusted, especially since China has opened its doors to foreign lands. In 1986 the Chinese post office earned about 1.4 billion yuan (\$405m). The yearly profit is now more than 5 billion yuan.

THE GREENING OF CHINA

**CHINESE FARMERS HAVE TO FEED 22 PERCENT
OF THE WORLD'S POPULATION ON 7 PERCENT
OF THE WORLD'S LAND, ALL THE WHILE
COPING WITH COMMUNISM, CAPITALISM,
AND THE THREAT OF GROWING DESERTS.**

B Y G E O R G E T S E O

Old Wu led the way through the wood of slender, white-barked poplars. His back was hunched, and his hands dangled by his sides. The long black and gray strands of his hair seemed so few that I felt I could count them. Some small birds flew through the thin, light-green canopy of the trees. The terrain formed a series of mild waves, the ground yellow and firm. I guessed that it was consolidated dust, for jamming the toe of my boot into it shot powdery streams through the air. With a smile of irrepressible pride, Wu pointed out a cluster of white mushrooms half-hidden among the decaying leaves that littered the forest floor.

"Organic matter content," he said in his scratchy, low voice, "0.04 percent."

"Nitrogen?" I asked. "And phosphorus?"

He raised a hand to face-level and spread his fingers. "Nitrogen up 0.03," he said, the shake of his hand reminiscent of an old vaudevillian delivering a punchline. "And phosphorus, almost 0.04 percent!"

I smiled to acknowledge this feat—which "belonged" to Wu in that the past 12 years of his life had been dedicated to attaining it. In 1976, the current phase of the desert reclamation project in Linze County, in north-central Gansu Province, had begun, and Wu had been assigned to this

人多地少

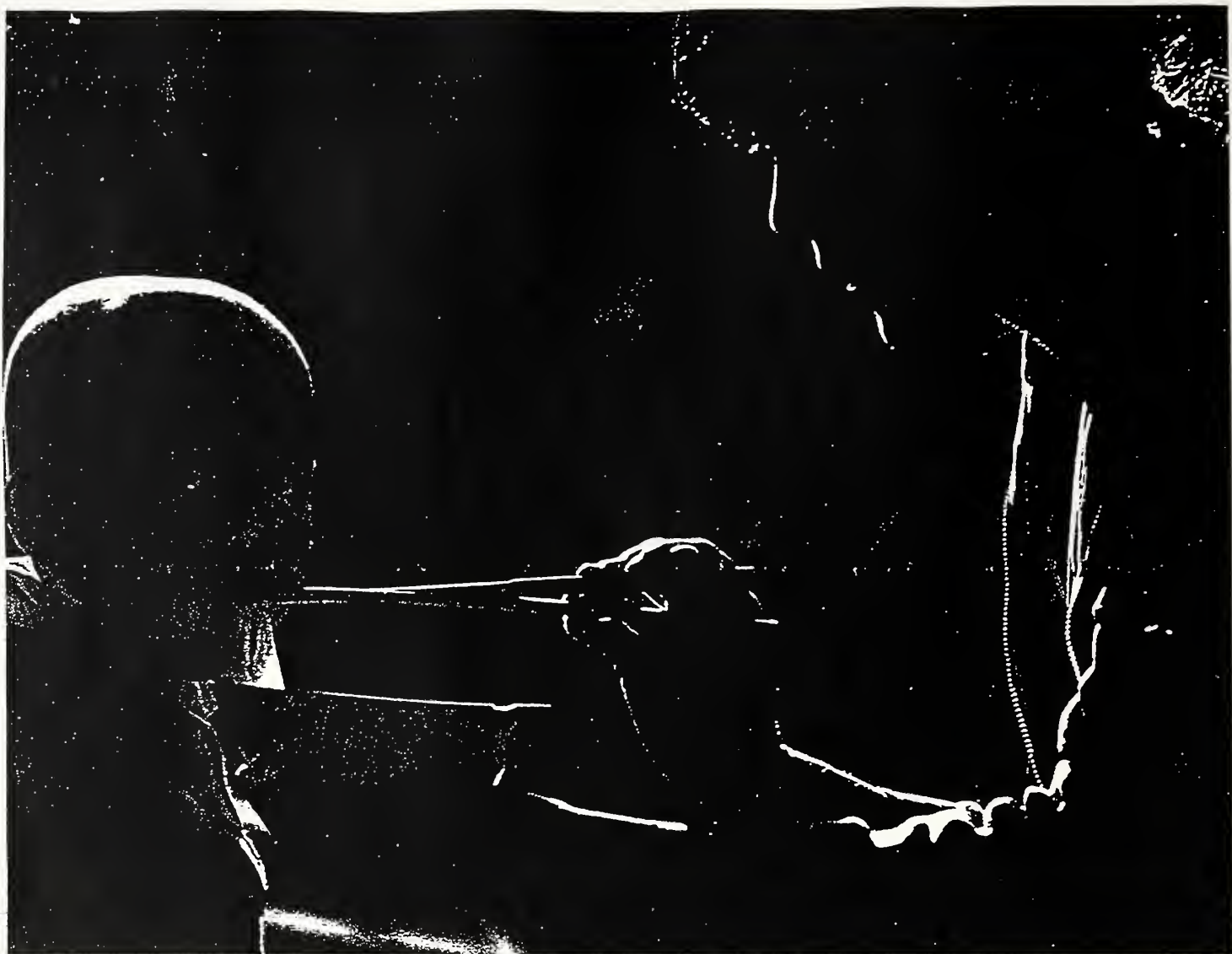
lonely outpost of the Chinese Academy of Science's Lanzhou Institute for Desert Research to help coordinate the local effort. Then there had been nothing here but dunes. But since wooded perimeters to shelter the land from the wind were established, the ground material had begun to develop the fine grains and organic matter of true soil.

As we ascended a hill, I noticed a tiny lizard darting away in a diagonal path across the slope face, leaving a wavy, shallow groove. The vegetation thinned as we mounted the crest. The trees gave way to bushes, and the bushes became grass. With every step the grass grew more sparse and the ground more sandy until finally we were standing atop a dune. There before us was a sea of giant, frozen waves of sand, flashing in the sun and stretching out to meet the horizon. The Tengger Desert.

"This was what it was before," Wu said with what struck me as a strange indifference in his voice. "And this will be what it will be again. This forest, the fields of grain beyond it, the orchards. All gone."

He had slipped unconsciously away, as though he had traveled through time and now stood in the future. I looked to a long adobe mound just barely exposed above a dune, from which streamed a plume of sand. The mound was the





ANDY POCCELL

Great Wall, which had dwindled from the three-story earthen battlement that had kept pace with my jeep during so much of the journey west. A garrison had once made a brave stand here before the desert finally reclaimed the land. I wondered to myself just how long the desert could be held back this time. In a way, this question was the purpose of my visit to Linze, the purpose of my stay in China. I, too, worked at the Institute for Desert Research, and it was my privilege to witness Chinese desert reclamation firsthand. As a foreign post-doctoral fellow, it was my job to unravel the history of reclamation, a history so recent that the reasons for its success were hard to discern. From the past, I would approach the present, and with what insight I could glean on the changing nature of the land and its people, I hoped at least to poke my head into the future, as otherwise I couldn't follow Old Wu across the threshold.

THE LAND OF FAMINE

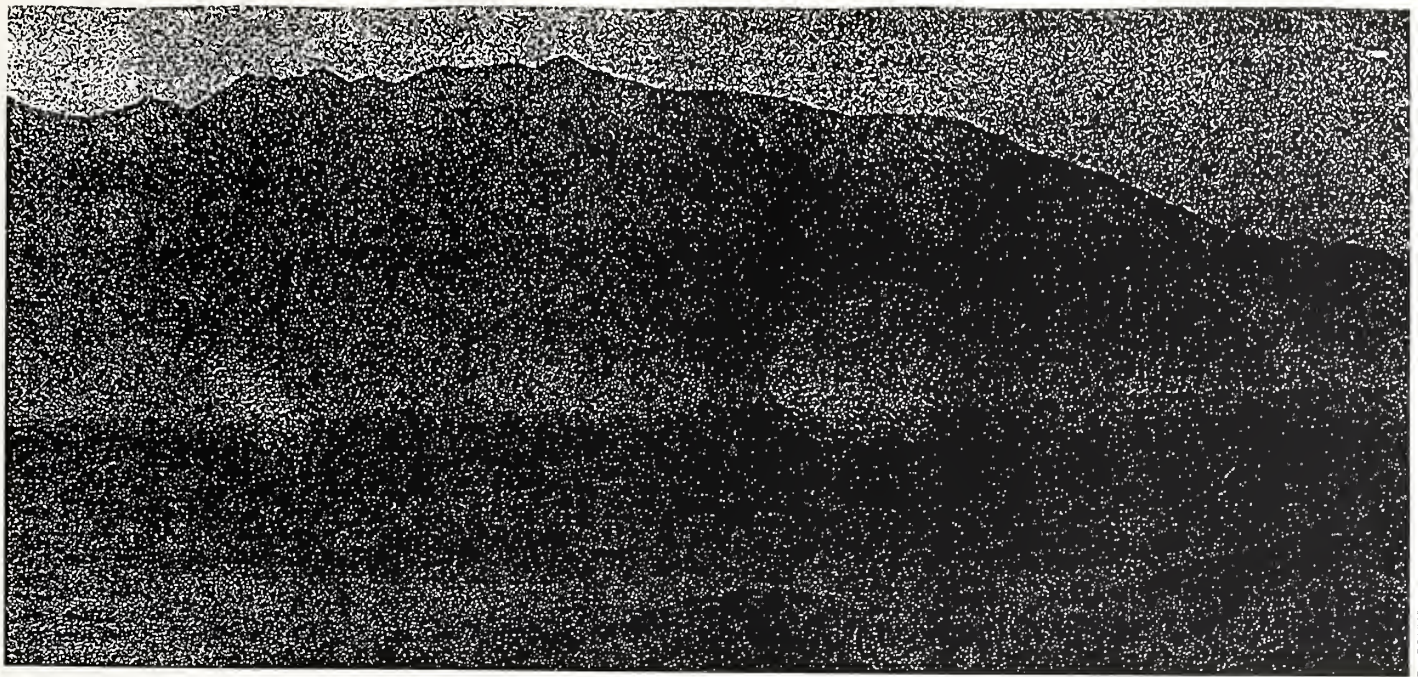
Long before the world focused concern and emergency food relief on India and then Africa, China was known to the West as "the land of famine." Beginning in 1681, the political stability that followed the Manchu dynasty's con-

A MOTHER FEEDS
RICE NOODLES TO HER
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quest of China led to a population explosion that neither civil war, world war, nor revolution could abate. Though statistics about China are often unreliable, it has been estimated that by 1834, China's population had risen from 100 million to 400 million, 9 million out of 10 of whom were peasants. Between 1873 and 1933, the population swelled by 31 percent, while arable land increased by less than 1 percent. By 1954, more than 91 percent of all peasant households subsisted on parcels of land of less than one and two-tenths of a hectare each.

As more and more peasants relied on less and less land, famines became as predictable as population growth. The famine of 1876-79 killed between 9 and 13 million people. The famine of 1920-21 claimed "only" 500,000, but famine and war together in the early 1940s reaped a grim harvest of perhaps 15 million. To Mao Zedong, who saw everywhere the stark reality behind China's reputation as a land of famine, the apathy of his people was an affront. His revolutionary movement sought to "awaken and arouse the popular masses, urging them on to unity and struggle and to take part in transforming their own environment."

Mao knew from his own bitter experience that China could triumph over any adversary, any calamity, given ample



DAVE BATTINUT

PICTURED ABOVE, TIBET'S YARLUNG DESERT. MANY SCHOLARS BELIEVE THAT CHINA OWES ITS CIVILIZATION, IN PART, TO ITS HARSH ENVIRONMENT. THE CHINESE HAD TO BECOME A REGIMENTED SOCIETY, THE THEORY GOES, IN ORDER TO HARNESS THE YELLOW RIVER TO CULTIVATE DRY NORTHERN LANDS.

grain. During the wars against the Japanese and Chinese nationalists, the communists had survived in no small measure because of their grain reserves. When the communists finally emerged victorious in 1949, the new leadership proclaimed a national mandate: "Let grain be the key link!"

Over the next several years, increasing grain production became a Chinese obsession of sorts. In one case, an entire river was bricked over and covered with soil to provide additional ground for crops. Ironically, China's perennial overpopulation and underemployment helped assure the campaign's success. Since 65 percent of Chinese peasants were relatively idle between growing seasons, they could be organized to build reservoirs and irrigation canals. Soon, great communes of roughly 5,000 households each were gathered; it has been said that by the winter and spring of 1957 and 1958, more than 100 million peasants were active in such projects.

In the dry, empty north, the campaign for grain reached its most epic proportions. Frontier troops, peasants, and unemployed youths from the crowded eastern seaboard were recruited and resettled in Xinjiang, Qinghai, Gansu, and the other northern provinces. To feed the irrigation systems they created, they built waterways of incredible scale, which tapped the glacial melt from high regional mountain ranges. Consider Shihezi Cultivation District (total area: 4,160 square kilometers in 1984) in northern Xinjiang. The irrigation system begun here in the 1950s would eventually have nearly 14,800 kilometers of primary canals, drawing from five main reservoirs and fed more than 700 billion liters of water a year from the nearby Mountains of the Sky.

Mao viewed the winter and spring of 1957 and 1958 as the golden opportunity he needed to launch another stage of his revolution. Convinced that the social, economic, and political contradictions at the core of Chinese society could be rooted out by rapid development, the grand visionary launched the Great Leap Forward. The great water projects

began to stall as the call went out for China to catch up with Great Britain in the production of steel and other major industrial products in 15 years, to catch and surpass the United States in 50. Moreover, this great feat was to be achieved through decentralization, which would make every city, every commune, indeed every household a work unit capable of independent production and therefore survival. Trees were cut to fuel the fires; pots, pans, and knives were snatched from kitchens to feed the smelters.

Although bad weather hurt crops in many areas and much of what did ripen was neglected in the fields, communes, mindful of their part in the Great Leap or fearful of political reprisals, reported record harvests. Consequently, it was with a glow of confidence that central planners committed more than 43 percent of the national annual budget for 1959 to industrial development and shipped vast quantities of grain to the Soviet Union in payment for equipment and materials. The famine that ensued that year would last until 1962. In addition to those that it killed outright—including women who might later have borne children—the famine caused millions of malnourished Chinese to die prematurely in later years. All told, Western demographers estimate, it took 30 million lives.

改革方向

MORE REVOLUTIONS

Outside, the glare of the midday sun bleached the scene of trees and a single-story brick building. Inside, the silence was mildly violated by a chorus of flies. Director Zhang, head of Linze experimental station, sat at the edge of his cot, sipping tea from a white-enameled metal cup painted with peach blossoms. He rubbed sleep from his eyes and smiled.

"Would you prefer if I came back later?" I asked. "You only returned to the station just yesterday."

He shook his head and motioned with his hand. "I asked you to come here at this time because I wanted to get up now. As you can see, for this I need a bit of help."

I looked down at the concrete floor. Zhang was a short, thin man in his early fifties, originally from the subtropical province of Guangzhou. It was small wonder that Linze's desert climate undermined his health. He had only recently come out of the hospital.

"I traveled through this region 10 years ago by train," I continued, after a pause. "Then the trees were few. The number I saw in an hour might have been tallied on my fingers. I assume the rest were cut down during the steel-production campaign of the Great Leap Forward."

"In the south," corrected Zhang, knitting his brows, "this was much more the case, particularly in Sichuan province. The land was simply stripped. But here in the north, damage was somewhat more limited. The wasteland you saw 10 years ago actually came out of the Cultural Revolution."

To say the least, Mao's competence as a leader had come under doubt after the Great Leap Forward catastrophe. But rather than wait like a cornered animal as his power was whittled away, Mao launched a counter-offensive against his rivals, in the form of a new mass movement. This time, he intended to reconstruct society itself. All vestiges of capitalism were to be wiped away, and the nation would become an engine for perpetual revolution. Purges and political witch hunts became the order of the day, and ideological purification took precedence over production. In the process, chronic shortages of every kind became the normal state of affairs.

"No more coal for the stoves?" I ventured.

The director closed his eyes and nodded. "Nor timber for the houses. Round-the-clock guards and high walls couldn't protect those trees. And believe me, in places that's exactly what was done. Still, you know, the irony was . . . that during this unimaginable chaos the great water projects were finished. They happened to fit nicely into the revolutionary theme: the armies of workers, the titanic struggle." He shook his head. "But water was only the beginning. It was the foundation of course, but a house consists of more than just its foundation. Or else what would protect you from the terrible wind?"

With Mao's death in 1976, the Cultural Revolution came to a close, and rationality began to make a comeback—and the trees along with it. The north was finally free to reckon with the "terrible wind," which scorched the denuded land, blasting and then burying the crops with sand. Between the 1950s and the 1970s, at least four million hectares of arable land were lost to desertification, which, in the Chinese sense of the word, refers to land inundated by sand. Adding lands lost to aridity, salinization, and other problems greatly increases the scope of the disaster. Then in 1978, the state fought back with what one Chinese journalist very aptly called the "largest ecological endeavor in the world today." The exten-

WORLD DISASTERS

NUMBERS OF DEATHS

KRAKATOA ERUPTION, 1883
36,417

TOKYO EARTHQUAKE, 1923
99,331

FAMINE IN CHINA, 1920-1921
500,000

CHOLERA IN EUROPE, 1831
900,000

ARMENIAN HOLOCAUST
1894-1915
1,750,000

BUBONIC PLAGUE, INDIA, 1920
2,000,000

STALIN'S GREAT PURGE
1936-1938
8,000,000

WORLD WAR I, 1914-1918
10,000,000

FAMINE IN CHINA, 1876-1979
9-13,000,000

SPANISH INFLUENZA, 1918
21,640,000

FAMINE IN CHINA, 1959-1962
30,000,000

WORLD WAR II, 1939-1945
45,000,000

BLACK DEATH, 1347-1351
75,000,000

sion services of the Ministry of Agriculture, the Chinese Academy of Sciences, universities, local research organizations, China Railways, and, above all, the Ministry of Forestry rallied peasants around a tree-planting campaign by proving to them, through local demonstration plots, how trees could protect crops. In a little more than 10 years, about 8 million hectares of wooded land were planted, offering wind protection to almost 10 million hectares of northern croplands.

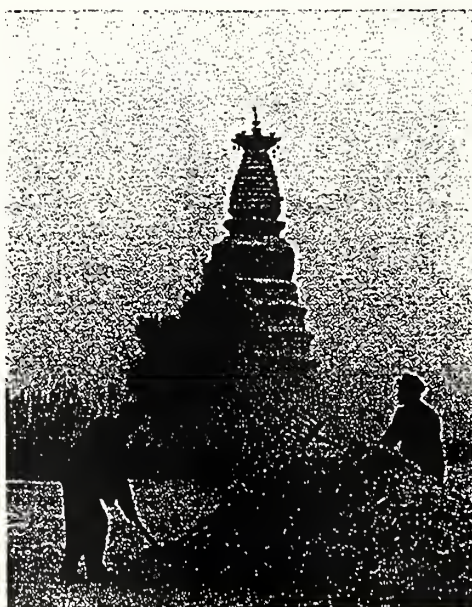
Increased grain yields again became a top priority and, once croplands were protected and prepared for intensive farming, only fertilizers were needed to achieve them. To this end, chemical-fertilizer imports rose, 13 chemical-fertilizer plants were purchased from the West, and hundreds of small- and medium-scale plants were constructed or expanded in the 1970s. In the north, farmers applied increasing amounts of chemical fertilizer, and regional irrigated grain production, which had been 1,500 to 2,505 kilograms per hectare, rose to 3,000 to 9,000 kilograms per hectare. Rain-fed grain production, formerly 195 to 600 kilograms per hectare, increased to 495 to 3,000 kilograms per hectare. There is evidence that chemical fertilizers were overused in the north, but regional farmers still rely heavily on manure accumulated in livestock corrals, and soil-enriching plants grown in conjunction with principal crops. Also, cost constraints have kept northern chemical-fertilizer use very light relative to other regions. The arid lands seemed poised both to flourish and to preserve soil fertility.

Zhang went to his desk and removed the short-sleeved white shirt draped over the back of his chair. He would wear this over his T-shirt despite the 38-degrees-Celsius heat. "Certainly, chemical fertilizers had a very significant positive effect upon productivity," he conceded, buttoning up his shirt. "But are you giving enough credit to the household-responsibility system?"

Mao's ultimate successor was Deng Xiaoping, who was pragmatic enough to loosen Beijing's grip on the rest of the country. In 1979, authorities in Anhui province released the peasant households in some of its poorest areas from their communes, to which they weren't contributing much in any case. To the provincial governments' surprise, these households, which worked private-use plots and answered to themselves, soon boosted regional productivity. The private-use system quickly spread, despite the initial skepticism and wariness of the central government. By 1983, more than 90 per-cent of all communes nationwide had effectively disbanded, and almost in hind-sight, Beijing lauded a new revolution.

Here at last was a way to inspire the peasants and ensure that they would receive the benefits of their own labor. Moreover, since households were only granted 15-year contracts for working the land, the evils of private property

MEN WINNOW WHEAT IN DUNHUANG, GANSU, CHINA, ONCE A MAJOR STOPOVER ON THE SILK ROAD.





CONSUMERISM DRIVES CONTEMPORARY CHINA, AS SHOWN IN A TIBETAN BILLBOARD (LEFT). ON THE RIGHT, A CANTONESE BILLBOARD EXHORTS NEW EFFORTS FROM THE CHINESE PEOPLE. OF ALL CHINESE CITIES, CANTON HAS MADE THE GREATEST ADVANCES IN ECONOMIC DEVELOPMENT SINCE THE REFORMS, GAINING A MEASURE OF AUTONOMY IN THE PROCESS.

were avoided. Before the original revolution, 32 percent of rural households had controlled 76 percent of the land, a distribution that had undoubtedly contributed to the sharpness and sweep of famine's scythe. A return to capitalism could result in a gradual but steady return to such an order, as successive droughts displace multitudes from the land they worked. China might again become "the land of famine"—a fate the leadership is justifiably determined to avert. Still, in the euphoria of deliverance from collectivism they may have forgotten to distrust fate, which is neither cruel nor benevolent but detached and thereby fickle. Gradually, I learned that the "household-responsibility system" threatened fresh dangers.

THE PRESENT, THE FUTURE

The best of China's northern oases are miracles sprung from the confluence of water, wind protection, and fertilizer. On the sun-beaten highlands of the Qinghai-Tibetan Plateau, peasant women work in fields of green corn and yellow rapeseed beneath bare purple buttes. At the ancient oasis of Dunhuang in western Gansu, vacationers labor up giant dunes to rest on the sharp but unyielding summits and contemplate the forests and fields that advance to the very bases of the dunes 300 meters below. In the Turpan Depression in Xinjiang, a white-bearded Turk crowned by a black-velvet skullcap steps lightly from a stony plain that has not so much as a blade of grass and into his bountiful vineyards. In an eight-month-long pilgrimage from mecca to mecca, I never ceased to be awed by such sights. Yet there seemed grounds for suspicion, cues for doubt.

Most apparent were the children. I saw them toddling in the yard with the chickens, playing in the shade of the trees lining their parents' fields, pulling on long leather boots for the ride across the grasslands to great herds of horses and sheep. Over the past three decades, the government had launched repeated family-planning campaigns, advocating

late marriages and the use of contraceptives. The last of these, launched in 1979 when the population was nearing one billion, was also the strictest: it set an urban limit of one child per family and rural limits of one or two children per family, depending on the ethnic group and area. Why, then, did I see so many families with two, three, or even four children? Was the state injunction still in force? Yes, came the answer, invariably with a smile. Families were fined for second and third children to the tune of 1,000 to 3,000 yuan, which might have been acceptable costs for 10,000-yuan peasant households, but certainly posed heavy burdens for the vast majority. Yet even the poorer peasants seemed to violate the stricture without great hesitation. I soon found out why.

Violators paid the penalty, but only if it was exacted. Although I had read about forced abortions that took place in the countryside during the 1970s, one former rural birth-control worker testified that more recently, overzealous enforcers in certain areas had been killed by local populations. Since the demise of the communes, local officials have lost their basis for control; now authority often has to be courted. Hence a system of fines is used rather than coercion to enforce the restrictions. But why the urge to have larger families in the first place? The answer to this riddle also lies in privatization.

Without the communes to provide education, health care, and retirement benefits, peasants must cover these costs by themselves—or rely on their children to do so. Initially, peasant tracts were determined by household size, which meant that more children also meant more land. But in recent years, many areas have begun to set tract limits and even to take land away from families that have grown too big. But more children still means more labor, and the new, freer economy provides income opportunities other than farming. Children can tend to the fields while parents sell tea, snacks, and cigarettes by the roadside or hire themselves out as wage workers. Children can be hired out too, and

现在及将来

they can even be sent away to the cities to serve in households, to be paid for waiting all night in lines to buy tickets for rich clients, to sell popcorn on the streets, or to pursue any number of creative profit-earning options. The boys may return to the land when they come of age. Not surprisingly, in 1982 more than 10 percent of couples originally receiving benefits as one-child families in northwestern China decided to have a second child—40 percent more than the national rate. That same year, only 60.6 percent of the people in the northwest used contraceptives—the lowest rate of any region in China. Given the constraints that govern census-taking and birth-control distribution, the reality beneath the statistics can only be more extreme.

Since reunification in 1949, the national population has swelled to 1.2 billion, 80 percent of which is still rural. Average regional land allotments have shrunk to two-fifteenths to one-fourth of a hectare per capita, so what will happen when the next generation begins to demand independent livelihood? Can a peasant household subsist on one-fifteenth to one-eighth of a hectare per member? Perhaps more than anything else, it was double-digit inflation in the mid-1980s that led to the widespread urban insurrection known as the Tiananmen spring. This time the peasants stayed aloof because their autonomy and subsistence was largely unthreatened. But what will happen if the tide of inflation rises again, and this time their tiny plots are too small to keep them dry above the flood?

China's history is almost compulsively patterned; for millennia, dynasties have toppled when the peasants rebelled. Such a day of reckoning appears to loom near indeed when one considers that China is actually losing arable land. Between 1978 and 1986, China's sown croplands decreased by 6.7 million hectares, 3.86 million hectares of which became unarable. In the arid north, land is turning to desert at almost twice the national rate. Expanding cities, peasant housing, and tree planting can account for the shrinkage of sown land, but the loss of arable land was caused by salinization and deteriorating infrastructure.

Like resurging populations, crumbling roads, canals, and reservoirs may be symptoms of China's changing social values under privatization. The household-responsibility system originally granted land to peasants on the condition that they contribute to public works, but now peasants often won't participate in public works unless paid, and absenteeism still causes labor shortages. Local authorities are having more and more trouble organizing labor forces.

Even seemingly unrelated and benign factors may be conspiring against the peasants and the land. For example, patent laws passed in 1986 were designed to stimulate applied industrial research, but technology has diffused through the countryside ever more

slowly since it has become a commodity. Peasants in Hebei province, which envelops Beijing, are already complaining that they can't obtain new seed strains and farming techniques. Once China's many rival agricultural extension services vied for the prestige of spreading innovations to the people. Now they vie for profits and keep their secrets to themselves. As protecting the environment becomes an increasingly high priority in agriculture, excluding peasants from the latest production methods threatens both the land and its bounty.

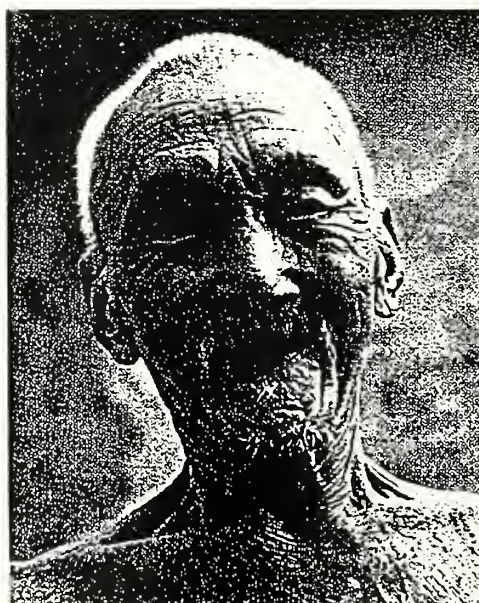
ADAPTATION

Understandably, China's peasants are growing increasingly concerned over these threats to their newfound prosperity. In a 1988 survey of 10,939 peasants throughout the country, two-thirds of those polled favored forming village-based cooperatives to deal with infrastructure maintenance, technical assistance, and mechanization. In 1986, more than 2,200 tree farms were cooperatively owned and operated, and between 1982 and 1984, 35,000 farm supply-and-marketing cooperatives had attracted investment from at least 40 million peasants and served as many as 90 percent of farm households. Peasant households may be relieved of some economic pressure by this partial return to collectivism. In northern China, if peasants can have more access to farming machinery, population growth, along with the need for human labor, is likely to decrease, as it has seemed to do in areas of Africa.

Between 1960 and 1985, 480,000 cooperative-style industrial and commercial enterprises had been established in the countryside, producing goods ranging from foodstuffs to fabrics, furniture to farm implements. By 1986, rural collective enterprises and private ventures provided one-quarter of China's coal, one-third of its iron ore, one-fifth of its gold and other nonferrous metals, and more than 70 percent of its building materials. Clearly, the rise of rural industry may take some pressure off the nation's agricultural areas. This is amply demonstrated by Shihezi.

One of the few surviving state collectives, Shihezi Cultivation District still has centrally planned crops, yet yield rates are comparable to China's national average. In fact, central planning assures a remarkable balance between food crops and cash crops, and peasants have ample incentive to work: their household tracts are two to six times larger than the regional mean, which allows them to earn high net incomes even after unusually steep community levies are subtracted. Those displaced from the land find work in processing industries, which are very successful; in 1988, Shihezi produced roughly one-third each of the province's cotton cloth, wool fabric, and refined sugar. Shihezi's budget for that year showed a deficit of only 8 percent—other agricultural oases had deficits ranging from 200 to 600 percent.

BETWEEN 1850 AND 1932,
4.5 PERCENT OF EACH
CHINESE GENERATION
DIED FROM FAMINE—THAT
FIGURE HOVERED AT
AROUND 9 PERCENT IN
NORTHERN CHINA. BELOW,
AN OLD MAN FROM THE
VILLAGE OF GONGXIAN
SMILES FOR EARTHWATCH
PRESIDENT BRIAN
ROSBOROUGH'S CAMERA
DURING A SURVEY OF
UNDERGROUND HOUSING
DIRECTED BY THE
LATE PAUL SUN.



BRIAN ROSBOROUGH



IN THE LUSH PROVINCES OF SOUTHWESTERN CHINA, PEASANTS PRODUCE 34 PERCENT OF THE WORLD'S RICE. THE MOST IMPORTANT FOOD GRAIN IN THE WORLD, RICE IS ALSO THE MOST DIFFICULT TO CULTIVATE. THE SEEDS MUST FIRST BE SOWN IN PREPARED BEDS, THEN TRANSPLANTED TO FIELDS ENCLOSED BY LEVEES, THEN FLOODED WITH WATER.

FPG PHOTO

Shihezi's successes and the people's waning enchantment with the individual economy notwithstanding, communism has failed in China as surely as it did in the Soviet Union and eastern Europe. Old-style collectivism is not making a comeback—the memory of death and deprivation wrought by the state from 1959 to 1962 still lives too strongly in every Chinese family—"cooperativism" is. The two are similar in principle but fundamentally different in practice. Collectivism was a device used by the state to force its will on the people while claiming to act on their behalf. Cooperativism is a joint partnership of peasants or workers. Although Shihezi's economy is planned centrally, much as it was under collectivism, that central planning works only because it is firmly grounded in individual incentive—a capitalist proposition.

Despite its great promise, however, true cooperativism is having a hard time in contemporary China. Because cooperatives rely on the state to provide scarce capital and raw materials, bureaucratic meddling is common. Shihezi is an extreme example of the advantage of political influence. Pioneered by Wong Zen, the general who occupied Xinjiang in 1952 and the vice president of China today, Shihezi is virtually assured industrial success because it has the leverage to import equipment and technical experts from distant provinces and abroad. By contrast, Hulun Qar banner, in Inner Mongolia, fixed its hopes on a cottage carpet industry to exploit abundant local wool, but local authorities could afford to hire only a 19-year-old woman from Hebei to teach local women how to weave and to market the finished carpets in her home province. While Shihezi and Hulun Qar represent opposite extremes of a spectrum, most northern communities have more in common with the latter than the former.

So long as opportunity—access to capital, equipment, technical assistance, and planning expertise—hinges on privilege and luck, northern China will continue to lose ground. Unless the state can clarify its vision and abstain

from its age-old urge to meddle—and peasants can learn to work together for the common good—areas like Inner Mongolia may be doomed to arid barrenness.

A RETURN TO THE PAST

Shortly before I left Linze and Old Wu, the experimental station's driver took me and two students to the edge of the oasis. We rode out onto a sandy flat that marked the beginning of the Tengger Desert, and from here we marched into the dunes. The driver was an ex-Red Army man, tall and trim, boasting a cheerful disposition and a close-cropped haircut. As we walked along a sandy ridge he took my hand and pointed at the sky. Vultures circled in the distance.

"Do you know about sky burial?" he asked. "The Tibetans take their dead to a hillside and cut them into pieces. The eagles and vultures feed on the flesh, and then, when they take flight, the souls return to the sky."

Five dark specks slowly spiraled upward to the base of a lonely cloud. Before me stretched an emptiness filled with an infinity of sand. I looked up at my three companions, and the blithe smiles they offered to fill the void subtly underscored the tension between man and nature. Here was a nation with a power to rival the sky's. A collective mass so great that in chaos it created famine and wasteland, in concert it pushed back the desert. Still, I knew which force would ultimately prevail. Nature's claim on the land is unconditional; in the eyes of man, the desert is relentless and eternal. ■

George Tseo teaches physical earth sciences at Pennsylvania State University, Hazleton. He is preparing a feasibility study on rural Chinese industry for the Chinese Ministry of Agriculture's Executing Office for Rural Reform Experimental Areas. For more information on Chinese development, read China's Political Economy by Carl Riskin. To get involved in projects concerned with famine, land reclamation, and sustainable agriculture, see pages 89 and 92.

还是反回昔日

Economic Reform: Is China Different?

by Nicholas R. Lardy

In the aftermath of the events of Tiananmen, many observers proclaimed the demise of economic reform in China. The stark contrast between the dismantling of communist regimes in most of Eastern Europe and the former Soviet Union, on the one hand, and the crushing of the movement of Chinese students and workers, on the other, strengthened this view. Although more difficult to portray, a contrast between the regimes in Eastern Europe and Russia, rushing headlong to jettison a heritage of central planning and state control, and their counterpart in China, where an initially successful turn away from a similar heritage has given way to an image of retreat and recentralization of economic decision making, has begun to emerge as well.

China's turn away from economic reform, evident even in the months prior to June 1989, was in fact accelerated by dramatic developments in Eastern Europe in the latter part of 1989, developments that left Chinese leaders with an acute sense of political vulnerability and exposure and reinforced their tendency to pursue repressive domestic political policies.

The contrasting images are perhaps misleading. Not only has China not renounced economic reform since the events of June 1989, but in fact China's economic reforms continue to outpace those of the former Soviet bloc. And prospects for continued and even increased reform are positive.

Differences in Chinese and Soviet Economic Reform

Unlike several countries in Eastern Europe or the former Soviet Union, the Chinese Communist Party has never embraced the goal of a market economy. Western observers, encouraged by a vocal minority of reformers in China who sought to privatize state industry, too frequently argued that China was "going capitalist."



Private entrepreneurs like this tailor are among the many Chinese who benefitted from the first decade of reform.

These observers overlooked the heart of the most authoritative reform document ever endorsed by the Chinese Communist Party Central Committee. That 1984 document called for the establishment of "planned commodity economy, not a market economy that is entirely subject to market regulation." Yet it allowed for market forces to determine the allocation of resources and the distribution of output in a wide sphere of the economy. And in the economy's planned sector it forecast reductions in the scope of compulsory plans and

more reliance on economic levers to achieve plan aims. The Party's deliberately vague formulation reflected the lack of consensus on the ultimate objectives of economic reform in China, but it certainly fell far short of endorsing the creation of a market economy.

One difficulty in comparing economic reforms in China with those in the former Soviet Union is a fundamental difference in style. Chinese reforms have been under way for more than a decade without a comprehensive reform plan. Beginning with the rural reforms of the late 1970s, reform

has proceeded in incremental stages, with each successive policy initiative leading to seemingly unanticipated consequences, which are then addressed by yet more far-reaching reform policies.

By contrast, economic reform in Russia has been paralyzed by the attempt to map out a comprehensive reform in advance. This process brings out conflicts of interest among contending bureaucratic, regional, and social interest groups and has left the Russian economy in a state of near collapse. Thus while the plans for economic reform in Russia far surpass the modest Chinese documents, Chinese economic reforms are in *reality* light-years ahead of the Russian ones.

As an example, the critical question of ownership may clarify this fundamental difference. Since the beginning of their reforms, the Russians seem to have been mired in a debate about whether and how to convert state assets into private property. While debate over the ownership question has raged on for many years, virtually nothing has changed. No significant amount of rural land has been transferred to the peasantry, and manufacturing remains essentially a state monopoly. Even in Poland, where reform is said to be following the "big bang" model, over 90 percent of industry remains in state hands.

The contrast with China is striking. Collective farming has been dismantled throughout China. In most places this occurred almost a decade ago. Peasants have been provided land on increasingly favorable terms. Lease contracts, initially as short as one to three years, were lengthened to three to five years prior to the mid-1980s, and now terms of thirty years are common. Leases are inheritable and, with few restrictions, transferable to unrelated individuals. Land held under a lease may also be rented out on a short-term basis and the state-encouraged development of rural labor markets allows leaseholders to hire laborers. In short, while rural lands still nominally belong to the state, peasant use-rights to the land seem well established. This, in turn, has contributed substantially to increased farm output and productivity.

What is less widely understood is

that the entrepreneurial portion of the Chinese economy's manufacturing sector has also grown significantly over the past decade. This sector includes urban collective firms, township and village enterprises, equity joint ventures, private firms, and so forth — any manufacturing firm that is not subject to the economically suffocating direct bureaucratic management of the state.

While Chinese reform documents continually uphold the principle of "public ownership of the means of production," the reality is quite different. Even in the industrial sector, where the legacy of borrowing from Soviet economic practices is most apparent, the share of output produced by non-state firms rose continuously throughout the 1980s. From an initial share of less than 20 percent when reform began, the output of nonstate firms rose to 45 percent by 1989. In short, in the period during which the Russians have been debating whether and how to privatize land and other state assets, the share of state-managed industrial out-

put in China has plunged.

The sharp decline in the share of manufactured goods produced by state-owned firms means that almost half of all manufactured goods are now produced in a market-like setting. Entrepreneurial firms generally pay something close to the real value for their capital, both fixed and working, rather than relying on budgetary allocations from the state; they purchase the bulk of their inputs on relatively free markets, rather than receiving materials allocated by the government supply bureaucracy at fixed prices; they pay their workers wages based on their productivity, rather than following the pattern of fixed wage scales used by state firms; and they sell most of their output at market prices, rather than delivering it to the state at a fixed price.

The same transformation is under way in retailing and even construction. Less than a decade ago, 80 percent of all retail sales were made by state firms. By 1988 their share had fallen to less than 40 percent. This



Mark Sheldon

As China's entrepreneurial firms have grown, state-managed industrial output has fallen from 80 to 55 percent of the total.



Private retailing and direct sales by farmers have greatly reduced the state's control over retail sales.

change largely reflects the rise of private retailing, which barely existed a decade ago but now accounts for a fifth of all retailing, and the 35-fold increase in direct selling by individual farmers to urban residents. In the construction sector, the share of state employment has declined while employment in collectively owned township and village firms and in rural construction teams has risen sharply. Only in transport does the state still dominate.

Austerity in the Late 1980s

Although the view that the Chinese were ahead of the Russians in economic reform was commonplace during much of the 1980s, the consensus shifted sharply in 1989. But much of the commentary on China mistakenly views the austerity policy endorsed by the Party's Central Committee in September 1988 as evidence of a major retreat from economic reform.

This austerity program's main ob-

jective, however, was to reduce excess demand and inflationary pressure, not to roll back economic reform. Credit offered to enterprises, which had grown only moderately more rapidly than the economy in the early 1980s, grew excessively after the mid-1980s. These expanded credits were used to add to industrial capacity and to raise the wage bill. Money-supply growth was soon virtually out of control, with currency in circulation expanding by almost 50 percent in 1988 alone. A major reason for this sharp increase is that local branches of the state bank were beholden almost entirely to local government authority. These local governments urged banks to extend more credit to stimulate local economic growth, in the process usurping the authority of the newly established central bank.

In the second half of 1988, China was heading for a major economic crisis. Excess demand from an inappropriately high rate of investment and huge increases in money in circulation quickly became apparent. Panic buy-

ing in the summer and fall of 1988 stripped many commodities from store inventories, and prices began to rise rapidly. The officially compiled cost of living index, for example, was 28 percent higher in December 1988 than in December 1987. Without the austerity program initiated in the fourth quarter of 1988, hyperinflation would soon have consumed China.

The austerity program's effectiveness can be judged in part by the economy's performance in its first full year, 1989. Most significant, the rate of expansion of national income was brought down from an unsustainably high 11.4 percent in 1988 to 3.7 percent in 1989. Currency in circulation rose only 9.8 percent, compared with 46.8 percent in 1988. Retail prices increased by 17.8 percent for the year as a whole, but in the last quarter of 1989, retail prices were falling in absolute terms. Even more surprising, given the predicted effects of the Tiananmen debacle of June 1989, China's foreign trade and investment sectors came through the year with reasonably good results, and while earnings from tourism and overseas labor services fell, the declines were less than predicted.

These basically positive developments continued in 1990. The rate of price inflation was in the very low single digits; and the external sector recorded its best performance ever, at least as measured by the merchandise trade balance. Industrial growth, which had slowed considerably during the course of 1989 and early 1990, began to turn upward around midyear. Thus, at least by some measures, the macroeconomic picture improved significantly between 1988, when austerity began, and 1990.

Post-austerity Reforms

As I have suggested above, in my judgment much commentary over the past year or so has both overstated the degree of retreat from economic reform and underestimated the probability that economic reform might resume its former pace. As I have already argued, there were some areas, such as monetary policy, where

a recentralization of control was imperative. And there were certain actions, such as a supposed centrally directed squeeze on private and collective activity in manufacturing and services, that were resisted locally and in any case were motivated largely by fiscal rather than ideological concerns.

Moreover, in many spheres of the economy, reforms have continued to move forward. An example of continuing reform on the external side is the increasing influence of foreign market prices on domestic prices. At the outset of the reform process the government sought to expand foreign trade while continuing to insulate domestic prices from both the level of foreign prices and fluctuations in those prices.

By the end of the 1980s this insulation was significantly eroded. Nineteen-tenths of all imports were priced on the basis of world market prices and the exchange rate. Very few products still qualified for subsidies from the central government — subsidies that once allowed the sale of imports on the domestic market with little or no regard for the world price of the commodity. Much of this progress occurred in 1989, and it continued in 1990. Similarly, producers of export goods in China increasingly receive prices tied to the international price rather than the domestic price of their goods. Again this trend has continued. The increased influence of foreign prices in the domestic market is a significant development because it allows Chinese traders to make more rational economic choices.

Reform and innovation have also continued in domestic financial markets. For example, the state has made active use of interest-rate policy to influence private consumption and savings behavior. To dampen excess demand in late 1988 it introduced medium- and longer-term savings deposits with interest rates linked to the consumer price index. Similarly indexed government bonds were introduced in late 1989. These steps gave consumers an incentive to increase their savings and reduced inflationary pressure by paring

the incentive to shift rapidly from financial to real assets to avoid the erosion of purchasing power. In early 1990, the state lowered most savings interest rates in order to stimulate sluggish consumer demand.

Although still limited in scope, price reform has been continued by the state as well. Significant price reform for transportation was instituted a year ago, and discussion is under way for similar adjustments for energy. Huge price increases for passenger and freight transport are particularly significant because basic transport prices last rose in the mid-1950s and as the price of energy, labor, and materials increased significantly in the ensuing decades, the transport sector, unable to reinvest to expand capacity, became a bottleneck that dragged down the economy's overall performance.

The new increases in passenger fares, which on average more than doubled, should alone add almost 6 billion yuan (US\$1.1 billion) annually to revenues of the railroads, civil aviation, and water transport systems. Combined with the additional revenues generated by higher freight rates, this money will

enable the sector to finance more of its own expansion and upgrading, thus over time alleviating the bottleneck this sector has posed in recent years.

Crude oil and coal have also been significantly underpriced in recent years, leading to wasteful use of these scarce resources. A modest increase in the price of crude oil was instituted recently, and there is the prospect of as much as a doubling of the price of coal. As has been true for at least a decade, fierce contention over adjustments in the price of coal may result in only token price rises, but at least debate on this topic appears as vigorous as ever.

Some economists, including some in China, argue that such bureaucratically engineered price changes demonstrate how little reform occurred in 1989 and 1990. In principle, of course, freeing all prices to be determined by supply and demand would be desirable. In practice, many Chinese prices are so far from market clearing levels that preliminary bureaucratic price resetting is necessary, and in many cases over the past decade this has ultimately led to a complete freeing of prices.

In short, although the pace of re-



Even in construction, state employment has declined while collectively owned firms have hired even more workers.

form has recently lagged compared with the early 1980s, selective but important reform measures went forward in 1989 and 1990. Moreover, I believe for several reasons that the prospect is for an eventual resumption of more rapid reform.

Prospects for Further Reform

First, in marked contrast with Russia, China has a substantial constituency for further reform, and one not limited to a small urban intellectual class that supports economic reform because of the expectation it will lead to political reform. The vast majority of China's population benefitted enormously from the first decade of reform, and their appetite for further reform appears substantial. This constituency includes not only roughly 100 million workers in state-run units where real wages have doubled over the past decade, but even more particularly hundreds of millions of rural farm households; tens of millions of households that have benefitted from the rapid growth of village and township enterprises; several tens of millions of urban Chinese who live in the various special economic zones, open cities, and technical and economic development zones that have benefitted from China's opening to the world economy; and the families of 20 million entrepreneurs throughout China engaged in private service and manufacturing ventures.

Substantial acceleration of both economic growth and personal income in the 1980s has created this constituency for further reform. And while the increased inequality resulting from corruption has undermined it, the lubricant of rapid economic growth has reduced the frictions of the transition to a more market-oriented economy. The average rate of real growth of the Chinese economy in the 1980s was approximately 10 percent, about 9 percent in per capita terms. Thus average real consumption more than doubled.

The contrast with Russia (and perhaps, in the not too distant future, even Poland) is marked. Official Soviet data show a growth rate of around



Underpriced coal has led to waste, but vigorous debate continues on proposals to double the price.

3 percent in the 1980s, while Western estimates place the rate at about 2 percent. The lagging growth rate and the shortages of the most basic goods, such as bread, meat, salt, and soap, have had enormously negative effects on popular attitudes toward reform. People may be less likely to welcome reforms, with their attendant transitional costs of restructuring and increased inequality, when real living standards are perceived to be under acute pressure. By contrast, a double-digit rate of real growth such as China has experienced provides substantial benefits to virtually all members of society, cushioning the dissatisfaction caused by rising inequality and intersectoral and regional conflicts.

Moreover, the extremely rapid

growth of the economy over the past decade has placed China in a fundamentally different position from Russia's. Western specialists and Soviet planners are preoccupied with the problem of ruble overhang — the huge quantities of rubles held by the population because of a shortage of goods on the market. The Chinese economy, on the other hand, actually suffers from a surplus of consumer goods, even durables, and the regime is trying to stimulate consumer demand. Inventories of durables have piled up, forcing the government to curtail production of cameras, bicycles, household refrigerators, washing machines, and even color televisions. Chinese citizens are sitting on what for them are mountains of savings not

because there is nothing to buy but largely because they expect prices to fall in the future.

A second factor underlying my somewhat optimistic judgment on the prospects for reform is that changing leadership at the top could again bring forth a leader, like Zhao Ziyang, strongly committed to economic reform. Indeed, one cannot rule out Zhao's comeback. Moreover, the party has not repudiated the instrumental approach it has embraced over the past decade or more.

In the wake of the collapse of communist regimes in 1989, the more conservative members of China's leadership orchestrated the drafting of an ideological document intended to buttress the legitimacy of the Chinese Communist Party. The document repudiated developments in Eastern Europe and even much of Gorbachev's reform program and upheld China as the last remaining bastion of communism. Deng Xiaoping himself reportedly quashed this effort and admonished the supporters of the document that they should focus their energies not on ideological matters but on solving China's problems, particularly its economic difficulties. Thus Deng continues to see the legitimacy of the party as deriving not from its ideological leadership but from its ability to ensure rising living standards as reflected in increased consumption of food, clothing, housing, and so forth.

But the policies that have been most successful in raising living standards are those of the reformers. Even Li Peng, who is less than enthusiastic about reform, may feel compelled to support further reform measures as a means of increasing the underlying productivity of the economic system and thus improving its capacity for raising living standards. Indeed the sharp drop in economic growth in 1989 and the continued softness of the economy through much of 1990 weakened Li's position, so that he may become increasingly receptive to reform proposals designed to raise the underlying productivity of the economic system.

Finally, most of the institutes and informal advisory groups that were the

font of ideas for reform over the past decade are in place and still functioning. Indeed, the vigor of the debate on economic reform in these organizations in 1990 was remarkable. While these reformers do not necessarily enjoy the access and influence they once had with the highest levels of China's political leadership, the debates continue, and for reasons described above I think it is highly likely that the influence of the proponents of reform will rise once again.

The main obstacle to the resumption of more rapid economic reform in China, in my judgment, is not the demand of students and intellectuals for a more pluralistic political system. China's leadership has not stepped back from its commitment to reform because they fear economic reform will lead to escalating demands for political reform. In the wake of the Tiananmen tragedy, many Western observers speculated that the conservatives would have to mollify an alienated urban population by abandoning the policy of austerity that had begun to impose real economic costs on the population. Instead, the regime initially did the opposite: it pushed through unpopular retail price increases, held down investment spending (thus leading to the layoff of millions of additional workers in construction), and held down the rate of wage increases, particularly bonus payments. None of these actions suggests a regime that perceived incipient popular unrest.

The challenge the regime faces is to deal more successfully with the problems of a semireformed economy. Only a third of China's national income is produced in state-owned units subject to some degree to the traditional planning system, so the regime must rely increasingly on the policy instruments of a market-oriented economy, notably monetary and fiscal policy, to influence the pace of economic growth. Yet the institutions that would make this possible have just begun to develop.

The second key problem is the endemic corruption that results directly from the economy's semireformed character. Many inputs and final goods are sold at widely varying prices depending

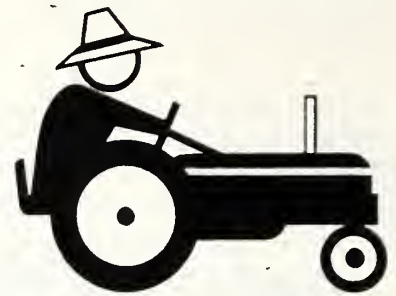
on whether they fall under the purview of the shrinking state plan or the rapidly expanding more decentralized portion of the economy. Huge profits can accrue to arbitrage between these two sectors. Because even state-owned plants are allowed and encouraged to produce for the uncontrolled sector, separating legitimate profit-seeking activity from the illegal diversion of planned materials and output to the decentralized market is virtually impossible.

The regime has sought to deal with this problem in the short term through a seemingly more vigorous campaign against economic corruption. As in the war on drugs in the United States, the success of the campaign is difficult to judge.

For the longer term, that government has decided, in principle, to do away with what is referred to as the dual-track pricing system, the ultimate source of the economic incentive for illegal transactions. So far this is a decision only in principle. If implemented, the state-fixed prices for some goods will be abolished and all of the output will be distributed through the markets. For other goods the state-fixed price will be raised significantly, reducing the gap between the state and market prices. And for still other goods, state price controls will be reimposed on the share of output now distributed via the market. Obviously, this process will take time, and it will not soon be possible to judge the relative importance of these three alternative means of reducing the price disparities of the dual-track system.

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Stabilizing Agriculture Prices



Zhengzhou's experimental grain wholesale market is blazing a trail for future commodities exchanges

Hang Chang

The Zhengzhou Grain Wholesale Market, China's first commodity exchange since 1949, got off to a quick start, selling 20,000 tonnes of wheat on its opening day last October. Since then, some 15,000 people have visited the market, including delegations from the World Bank and the Soviet Union, which is experimenting with its own commodity exchange in Moscow.

Described in many press reports as a futures market, the Zhengzhou market is actually operated as a national cash forward market by the Ministry of Commerce and the Henan provincial government. Distinguished from futures markets by their nonstandardized contracts, which require negotiation over each contract term and are therefore more difficult to trade, cash forward markets are generally not very liquid. Futures markets, in contrast, tend to be highly liquid, as their standardized contracts make transfers between parties routine. The Zhengzhou market, however, does utilize a performance bond (or margin), a common mechanism of futures markets to prevent default on agreements.

Establishment of the Zhengzhou market reflects China's need to create more efficient internal markets for agricultural products. Planners hope the market will improve distribution of food grains, thereby helping reduce wheat imports. In addition, the market is expected to increase predictability of grain prices, providing stability to the traditionally volatile free market. While the Zhengzhou market has not yet met all these expectations, it

Establishment of the Zhengzhou market reflects China's need to create more efficient internal markets for agricultural products.

remains an important first step in creating a national grain market.

Distribution shortfalls

Grain and grain products are key crops for meeting consumer food needs in China and have long been subsidized by the State to keep prices low in urban areas. After the central government introduced economic reforms in the countryside in 1978-82, grain production increased significantly, but these gains were short-lived. By the second half of the 1980s, production stagnated despite rising national demand for grain. Numerous problems, such as an inefficient land contract system, slow implementation of price reforms, a poor transportation system, inadequate investment in infrastructure, and environmental degradation

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acted as drags on crop production.

Even when grain is abundant, as during last year's record harvest, distribution and transportation problems prevent it from getting to the places where shortages are most severe. For example, large cities in southern China have difficulty obtaining enough wheat to meet demand, and often turn to imports to fill the gap. China has thus become a net wheat importer, purchasing between 8-15 million tonnes of foreign wheat each year over the last five years, compared to just over 7 million tonnes in 1978.

The State continues to be highly involved in grain production under an agricultural system that has only been partially reformed. Farmers are required to sell a portion of their grain to the government at low, fixed prices. The government in turn distributes it to needy areas of the country, particularly urban areas. The State reportedly spends more than 13 percent of its national budget to subsidize farmers' grain and food-oil output and maintain stable, low grain prices in urban markets.

After meeting the State quota, farmers can sell the remainder of their grain at the best available market price. Free market pricing, however, actually operates within two tiers. Bulk transfers of grain between provinces are conducted at a "negotiated price" that tends to be lower than the free floating prices that operate at local township markets. Although approximately 65 million tonnes of agricultural commodities circulate in the free market each year, only about 3 million tonnes of wheat

are marketed between provinces, so a considerable amount of wheat and other grains remain in the locality of production—usually in China's northern provinces. Under this system, regional surpluses and shortfalls can result in extreme price volatility. The Zhengzhou Grain Wholesale Market was established to offset some of these problems, but its birth was a long, slow process.

The making of the market

Reportedly, in the mid-1980s former Premier Zhao Ziyang was impressed by a Hong Kong-made videotape on futures markets, so he instructed government officials to study the feasibility of setting up such markets in China. In late 1987, a group of scholars recommended that the State Council form China's first futures market, and in early 1988 then Deputy Premier Li Peng gave a green light to the project.

The project was undertaken jointly by the Ministry of Commerce and two major think tanks for the State Council: the Development Research Center and the State Commission for Restructuring the Economy. Henan Province, which produces almost 75 percent of China's wheat, later joined the consortium and acted as a major promoter of the project.

In early 1989, a detailed proposal was drafted to test markets for different products in four provinces, but the market research was delayed by the June 4 crackdown. When Li Peng unexpectedly gave the think tanks permission to revive the project in mid-1990, the decision was made to establish the first market in Henan Province.

The Chicago Board of Trade, the world's largest futures exchange, has played an advisory role throughout the project. While not directly involved in setting up the market, the board provided educational assistance on futures trading by hosting several Chinese officials and researchers. Over the last three years the Board has sponsored staff exchanges and seminars in both Chicago and Beijing.

Broadening operations

Despite a stellar opening day, trading on the Zhengzhou market soon slowed, with only 50,000 tonnes of wheat traded in the first month. Although the Ministry of Commerce

Foreign-invested enterprises are not prohibited from participating in the market, but apparently none have so far.

and the Henan provincial government gave permission to 200 organizations to trade, on an average day only 20-30 players got involved. Traders were not enthusiastic as some were still learning the trading procedures, while others remained skeptical of the market mechanism. Some traders were not interested in buying wheat as the record 1990 harvest had left large stockpiles in many major wheat-purchasing cities.

In early November, top officials from the Ministry of Commerce called a special meeting to discuss the sluggish market. The group recommended that the market be broadened to encompass other food grains—peanuts, peanut oil, and corn—and that traders not be charged sales taxes. The Ministry of Transportation was requested to give priority transportation to grains

traded on the market. In addition, all authorized traders were asked to be present on the trading floor one week a month to encourage full participation. The exchange itself also adopted a more active role, both matching traders and serving as an agent for nonmember organizations. After these new policies were implemented, more than 130,000 tonnes of grains and oils were traded during the second month, including 40,000 tonnes of wheat.

While sales of corn, which has many industrial uses, have so far been fairly widely dispersed, wheat and peanut trades have tended to transfer crops from the north to the southern coastal provinces, with most supplies purchased by Guangdong, Guangxi, and Fujian provinces. Some southern cities and provinces also use the market to purchase national grain and oil reserves from the China National Cereals Trade Corp. This new pattern is a signal that grain distribution by the State may be at least partly replaced by the market, since previously grain supplies were purchased directly from the central government.

Some Chinese officials believe that the Zhengzhou market may already



China's inefficient grain distribution system prevents adequate supplies of wheat, which is grown in the north, from reaching demand centers in the south.

have helped stabilize grain prices nationwide. When the market opened in October, the price of wheat was ¥0.85/kg; it rose to only ¥0.86/kg by the end of December, and has hovered around this price ever since. A national survey of wheat prices conducted by the Ministry of Commerce last December found similar price levels throughout the country. Though some sources attribute the minimal price fluctuations to invisible government intervention, they have also been achieved by the high selling price, which is slightly above international levels. Further increases would only motivate buyers to look abroad. Whatever the reason, the Zhengzhou market price is clearly being used to some extent by local markets as a reference price.

Market mechanics

Participants in the Zhengzhou market tend to be State and provincial grain trading corporations, farm cooperatives, and businesses that need grain such as flour mills, hotels, and brewers. Individuals are not allowed to participate. Industrial enterprises are sometimes represented collectively at the market by their parent company in order to save exchange membership costs and facilitate bulk buying. Enterprises that do not join the exchange can trade through brokers, which are all State and provincial grain trading companies. Smaller grain trading companies have utilized brokers most frequently. Foreign-invested enterprises are not prohibited from participating in the market, but apparently none have so far.

The market operates under a fairly strict set of rules and regulations. All participants must pay a one-time membership fee of ¥10,000 (\$1,961). The minimum transaction is 50 tonnes, and prices must be quoted at intervals of ¥0.01 (\$0.0002) per kilogram. The market claims a 1-1.5 percent transaction fee on each deal. Grain trading corporations acting as brokers can charge commissions of up to 4 percent of the trade price.

To trade, sellers must provide information to the market staff before the auction begins, including quantity and quality of the goods for sale; location, time, and method of delivery; required method of payment; packaging arrangements; and minimum acceptable price. Sellers

Administrative agencies that previously had exclusive control over bulk grain transactions between provinces oppose the market's further expansion.

must also provide a sample of their wheat for inspection by potential customers. Currently, only nonstandard contracts are being traded on the market. Market officials originally planned to introduce standard contracts a few months after the market opened, but apparently no agreement on delivery points, the first item to be standardized, has yet been reached. It is still unclear when standardized contracts will actually appear on the market.

The auction is conducted by market staff, but if no buyer meets the seller's minimum acceptable price, no deal is made. Buyers may bid for less than the full quantity of wheat offered only if the seller agrees. If a deal is struck, the buyer and seller negotiate payment and delivery details. The seller is responsible for loading the wheat onto a vehicle for shipment, but the buyer must pay transportation charges. The buyer and seller each pay a performance bond to the market in the amount of 5 percent of the trade price. This margin is intended to guard against defaults and is refunded after delivery and payment have been made. The market staff is allowed to raise the margin in the event of price volatility.

Business is restricted to wholesale cash and forward trading in which agreements are made for 6- or 12-month delivery. Contract transfers to third parties will be permitted when standardized contracts are introduced, but only two months prior to delivery. This precaution was established to limit opportunities for speculation, making the operation of the Zhengzhou market quite different from futures markets in capitalist economies, where contracts may trade hands many times before delivery. Thus far, there has been no evidence of open speculation on the

Zhengzhou market.

Problems and pitfalls

Despite these detailed regulations, a number of structural problems could hinder the Zhengzhou market's development and expansion.

- **Planned economy** To a large extent, grain trading remains planned by the State, a fact that influences buying mentality. Even for some organizations participating in the Zhengzhou market, market prices are not the driving force behind transactions; they buy or sell when told to do so by higher-ranking government organizations. Although an open market with competitive prices now exists, many organizations lack the incentive to obtain the best price possible.

- **Administrative mentality** Since China's market is organized and coordinated by central and local officials, no effective independent channel for marketing exists in China. The Zhengzhou market staff tend to target officials rather than endusers in their efforts to expand business since administrators remain the most important decisionmakers in China.

- **Unfamiliarity with market mechanisms** Traders are still learning how to conduct business in a wholesale market. Many prefer to use traditional methods of channeling trade through old business connections or partners. Thus, personal relationships sometimes carry over into the market, creating a nonprice basis for dictating who trades with whom.

- **Risk of default** China's open market is notorious for its high default rate: 70-80 percent of all cash contracts reportedly go into default without settlement. Authorities are uncertain how risk of default will affect the wholesale market, though no defaults have been reported so far.

- **Insufficient credit** Traders may have difficulty coming up with the money for initial payments due to tightened bank credit under the austerity program. Even though the situation has been easing and the Zhengzhou market has called on central and local banks to provide traders with easier access to more credit, significant changes are unlikely considering how slow Chinese banks have been in instituting reforms. It is very difficult to transfer

Sources of Rural Instability

Peasants are fed up with corrupt officials and second-class citizenship

Frederick Crook

Before Tiananmen, China's leaders put rural problems on the back burner. Though the turmoil in the cities last spring had little direct effect on agricultural production, urban demonstrations jolted central leaders into looking at conditions of stability in rural areas. Farmers also articulated their discontent strongly enough that new Communist Party General Secretary Jiang Zemin, addressing a national conference on agriculture in December 1989, declared that rural instability was a major economic and political issue. The leadership has adopted a traditional response to the sources of peasant discontent: get in touch with the rural masses; strengthen rural political controls; and invest more resources in rural areas—but has indicated no willingness to change the 40-year policy of giving priority to urban development.

The chief grief: land

Of all the problems in rural China, those causing most concern among farmers stem from the land contract system. Problems with implementation, regulation, and corruption have turned the contract system—initially well-accepted—into an organizational quagmire.

From 1980-83 most economic co-operatives made contracts with farm families to cultivate specific plots of land for three to five years. Within certain constraints (stipulated by additional yearly contracts) families were left to decide which crops to grow, what techniques to use, and how to manage and allocate their resources. After fulfilling State procurement quotas, farmers were free to sell excess output in open markets

The farmers' continued lack of confidence in the State's willingness to protect a system fostering individual initiative can now be seen to have serious political, environmental, social, and economic consequences.

or consume it themselves. Their primary economic objective soon shifted from completion of State output targets to profit maximization. The contract system improved efficiency and provided powerful incentives to farmers to raise output.

Farmers embraced the system because of the increased freedom it provided, but having seen enormous changes in the Party's rural policies over the past 40 years, they always feared policy reversals. For this reason, from 1980-84 farmers invested little to improve the productivity of their land. To encourage more investment, in 1985 Party leaders lengthened the contracting period to 15 years. However, recent statements by Party leaders encouraging farmers to return to collectiv-

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ized production units have increased peasant alarm. The farmers' continued lack of confidence in the State's willingness to protect a system fostering individual initiative can now be seen to have serious political, environmental, social, and economic consequences.

Overzealous officials

In many localities, cadres made errors when dividing up the land and setting up the initial contracts—plots were too small, too scattered, not rationally distributed among farmers, and fees and rents were not properly set. Township governments, originally instructed by the Party to reduce the financial burden on rural citizens, use the land contract system to levy fees supporting everything from electricity for irrigation to social welfare benefits, cadre wages, and the families of People's Liberation Army soldiers. Rural citizens are also required to work a fixed number of days (5-10 days a year) on water conservation, school construction, and road projects. Farmers have been forced to pay fines and assessments which are used to purchase government bonds or to invest in village and township industries—in some cases funds are used to build office space for cadres and to entertain visiting officials. Excessive fines are also levied against peasant women bearing more than one child. In many cases, the rate of growth of such financial burdens has outpaced increases in per capita net income.

Although townships are supposed to prepare budgets each year and submit them for approval by township People's Congresses, the budgets are often not prepared or approved before rural residents have

to sign their annual contracts. Farmers therefore have little influence over township spending plans. Moreover, local governments have yet to install systems to adequately audit expenditures and determine if funds are used as intended.

Procurement woes

Farmers are also dissatisfied with the government's procurement system for agricultural products. Government purchase prices are usually lower than prices on the open market, and the cadres who operate the government purchase stations sometimes ride roughshod over farmers' interests. For example, when farmers have poor harvests and are pinched to fulfill their contract obligations, grain-station cadres often try to purchase as much as possible to meet urban requirements, leaving farmers—who usually try to keep one year's worth of grain supplies—short-handed. Conversely, when farmers reap a bumper crop—as in 1989—and requirements can be easily met, cadres refuse to purchase according to contract and insist on cheaper prices. Cadres also some-

government established a program to guarantee inputs such as chemical fertilizers, diesel fuel, pesticides, and plastic sheeting at subsidized prices. However, corrupt cadres manipulated this system by transferring materials from the State fixed-price channel to the open market, pocketing the difference for substantial profits. Farmers who came to local supply and marketing cooperatives to buy subsidized quotas of fertilizer were told none was available, and were thus forced to buy supplies on the open market at higher prices. China's press has reported numerous incidents of irate farmers holding up truck convoys to prevent chemical fertilizer supplies from reaching corrupt cadres at supply and marketing centers. Authorities recentralized control over inputs and closed the open markets for input suppliers in 1989 to stop the profiteering.

Incendiary IOUs

IOUs were issued to farmers from 1986-89 because of credit shortages in rural areas. Most of China's capital resources are allocated to finance urban industrial growth, while lesser amounts are diverted to rural areas, where rates of return are lower. In the fall of 1988 government authorities sharply restricted credit throughout the economy to reduce the rate of inflation. This had a devastating effect on rural areas, since rural banks, not anticipating credit restrictions, had loaned out funds to rural industries instead of keeping reserves to fund agricultural procurement. Inefficiencies in the clearing of accounts between the Agricultural Bank of China and the Industrial and Commercial Bank of China, along with corrupt practices of bank and government purchase officials, also led to reduced credit availability. In fall 1988 and winter 1989, therefore, many farmers received IOUs for their crops.

In response, irate farmers demonstrated, harassed, injured, and even killed government purchase station cadres, and by the spring of 1989, threatened to boycott government purchase stations if IOUs were issued again. The increasing antagonism between Party and government officials and the peasants was reflected in a fall 1989 *People's Daily* article urging township governments to "insure the houses, livestock, trees,

young crops, property, and personal safety of village cadres." Foreign experts have reported increasingly frequent incidents of peasant hostility toward cadres, including verbal abuse, spitting, and rock-throwing.

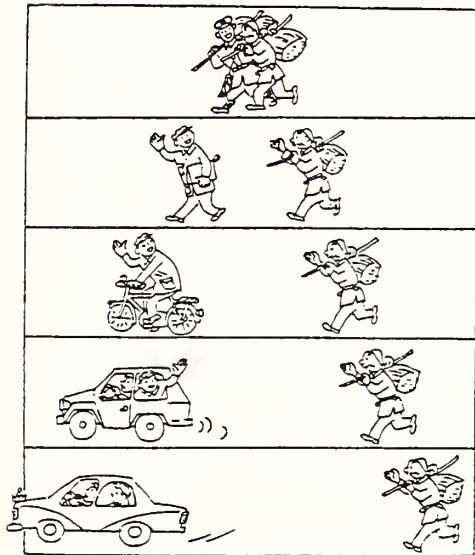
Despite a nationwide restriction of credit to restrain inflation in fall 1989, high government officials allocated large sums to purchase agricultural products. The IOU problem was therefore not as severe as in the fall of 1988, though some were issued in fall 1989 and early 1990, because government purchase stations did not have enough cash to buy all of the record 1989 grain harvest. Peasants were therefore left to store the grain themselves, which has led to disdain for government pressure to increase grain production, since the government can't afford to buy current levels of output.

Restricting rural industry

The rapid growth of rural industry from 1979-88 provided employment for farmers who were redundant in the agricultural sector. Often rural industries generated greater profit margins than crop cultivation, so these enterprises could afford to pay higher wages than farming offered. Because they provided employment and boosted family income the growth of rural enterprises was thus warmly supported by rural citizens.

China's leaders became concerned, however, when rural township and village enterprises began to compete with large, State-owned urban enterprises for markets and scarce raw materials such as capital, energy, building materials, cotton, and tobacco. To protect their political power-base—the urban proletariat—China's top leaders restricted the growth of rural industry. Beginning in fall 1988 and throughout 1989, officials used administrative means to close millions of "inefficient" rural enterprises, claiming they wasted scarce raw materials and used large quantities of energy resources.

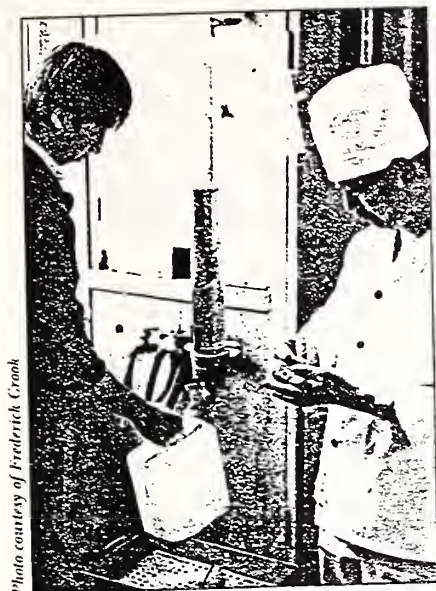
What cadres could not accomplish by administrative means was accomplished by the drastic reduction of credit. Unlike State-owned enterprises, which can receive subsidies from the government to make up for losses, rural enterprises have no such safety valve, and are therefore more sensitive to credit availability and



This cartoon of "Country Magistrate Li and Uncle Zhang," from an August 1989 edition of the *Beijing Review*, illustrates the increasing distance between Party cadres and peasants—both in terms of living standards and interpersonal relations.

times downgrade the quality of farmers' products to save on purchasing costs.

With fixed procurement prices and rising input costs, farm profit margins have decreased. To partially counteract this phenomenon, the



A farmer in Heihe City, Heilongjiang Province, receives his ration of soybean oil.

interest rates. The contraction of rural enterprises restricted incomes for rural residents and threw millions

of rural citizens out of work and back onto the land.

Growing awareness of inequality

In addition to dislike of the one-child policy, the other major source of peasant discontent stems from the realization—thanks in part to television commercials for goods peasants can't afford—that the standard of living in the countryside is lower than in the cities. Rural citizens are now more aware than ever before of the great gulf between them and urban dwellers.

Since the advent of reform, an increasing number of rural citizens have been able to visit major cities, either as tourists, representatives of their enterprises, or as guest construction workers. These travelers have seen for themselves differences in living standards between the cities and the countryside, and realized that despite the Party's exhortation that everyone must sacrifice to de-

velop the country, the burden falls disproportionately on their shoulders. For example, government and Party policies guarantee higher income levels for urban dwellers, provide more social and welfare services to city residents, and prevent rural citizens from moving to urban areas. Except for housing, urban citizens are generally twice as well off as their rural cousins.

Getting in touch with the masses

In the first quarter of 1990, high-ranking officials visited townships, villages, and farm families to assess rural conditions. At the March 1990 Party plenum, leaders issued the "Decision of the CPC Central Committee on Strengthening Ties Between the Party and the People," directing lower-level officials to ensure that rural officials and citizens had the proper ideological outlook, to strengthen rural party committees and branches, to improve the func-

The Land Contract System

Family Guarantees

[illegible]

- 1) Farmers guarantee to plant ____ mu of improved varieties of paddy rice.
- 2) Farmers guarantee to apply organic fertilizer from at least 2 pigs for the whole year, 1 brood sow, 3 sheep, 50 rabbits, 100 caged-layers, 200 broiler chickens, and plant 2 crops a year.
- 3) With regard to beginning and year-end targets for public deliveries, there should be a reconciliation of actual work done (____ percent) on basis of area (____ percent). Each work day will be converted to a yuan value at the rate of 1 day-per ____ yuan.

Under China's land contract system, each year families agree to fulfill specific targets set by local authorities. This Jiangxi Province contract includes detailed fertilizer contributions, as well as several categories of unknown meaning (i.e., two funds in one fee). These categories may cover up to 166 different fees and assessments.

tioning of township governments and village committees, and to establish viable economic cooperatives. The leadership reasoned that if cadres and institutions at the township and village levels had functioned more efficiently, there would be far fewer rural grievances.

Party leaders are now in the midst of a campaign to strengthen Party committees in townships and Party branches in villages. This includes selecting leaders to implement Party policies, recruiting new members, and providing literacy and technical training. Central leaders are also interested in improving the governmental services of local townships and village committees, which are meant to provide forums in which residents can check abuses of power and thwart corrupt practices.

By strengthening government and economic cooperative institutions, the Party hopes to build a buffer between itself and the peasants. The

cooperatives were designed to manage day-to-day, basic economic matters. In many villages, however, cooperatives either do not exist or are empty shells, allowing Party members and organizations to micro-manage basic tasks. Peasant discontent with political, social, family planning, and economic practices and policies is thus registered directly with Party members. The Party wants to avoid being the new "landlord" in rural areas, preferring instead to set broad policies that local institutions implement. By so doing, the Party hopes to increase both its prestige in and control over rural areas. Peasant discontent is unlikely to dissipate quickly, however, because it will take considerable effort and time for the Party to train new rural leaders and establish efficient committees and cooperatives.

Little change in sight

Currently there seems to be little

evidence that China's top leaders intend to change their tilt towards urban society. Their approach to urban and rural instability has been to tighten the stopper on the teapot; rather than find long-term, meaningful solutions to ease the pressure in rural areas, they have installed temporary measures.

Since most of the sources of rural discontent still exist, pressure for change will continue to build. China's 200 million urban residents are largely unaware of how their heavily subsidized lifestyles compare with those of rural dwellers, and would in any case be unlikely to give them up willingly. Given the regime's preoccupation with "stability," the leadership will probably not risk doing anything significant enough to alter the status quo. Peasant frustration will thus likely continue into the 1990s, constraining China's overall development and agricultural growth rates. 完

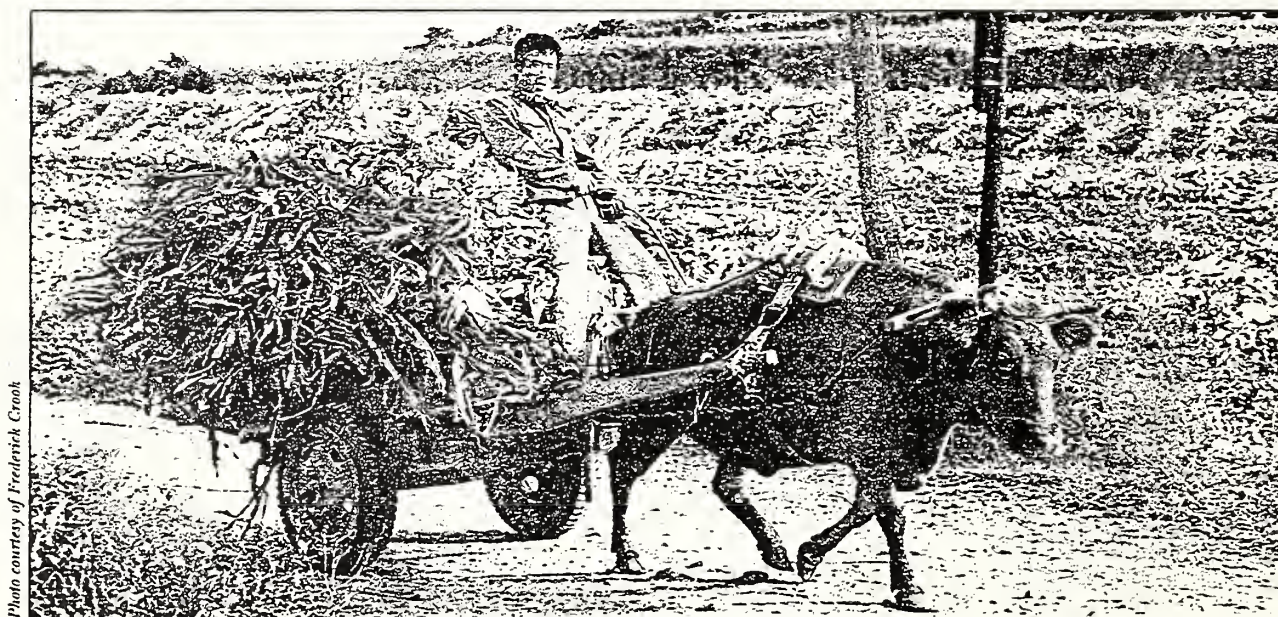


Photo courtesy of Frederick Crook

Township Guarantees

Nitrogen fertilizer standard		Locally-produced ammonium carbonate		Phosphate fertilizer		Diesel fuel		Cash advance		Production subsidy
Standard percent	Amount	Standard percent	Amount	Standard percent	Amount	Standard percent	Amount	Standard percent	Amount	

The township in turn promises to supply farmers with necessary raw materials, as specified in this contract.

SOURCE: CPE Agriculture Report, May-June 1989

Translated by Frederick Crook

Reemphasizing Agriculture

Top leaders lack the vision and political will to implement new, effective policies

Lee Travers

For the past five years, the growth of Chinese agricultural output value averaged over three percent per year. Despite this growth, grain production—for China's leaders a key measure of agricultural success—stagnated, and China went from being a net grain exporter in 1986 to a net importer of over 10 million tonnes in 1989. Output of cotton, the benchmark industrial crop, fell by nearly 40 percent, and China, a major net exporter of cotton in 1986, became a modest net importer by 1989. Rapidly rising personal income in both rural and urban areas pushed up domestic demand for these key crops over this period, and though China was willing to meet domestic market needs at considerable cost in foreign exchange, the drop in domestic output between 1984-88 helped trigger central government concern over agricultural performance. Even before last June, pressure was building for a rethinking of agricultural development policy.

Problems predate austerity

The problems faced by agriculture in 1988 can be traced in large part to complacency engendered by the success of reforms begun a decade earlier. Those reforms returned control of production to individual peasant households, raised purchase prices, and encouraged free markets. Responding to the new opportunities and incentives, peasants pushed up agricultural output value by 10.1 percent per year between 1979-85.

The government reacted to the spurt by diverting resources to other sectors of the economy. By the mid-1980s, official purchase-price increases slowed, and input prices,

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determined in an inefficient, corruption-prone hybrid of planned and market systems, began rising rapidly. Government expenditures on agriculture as a percentage of total expenditures decreased from 13.7 percent in 1979 to 8.1 percent in 1988. Over the same period, State capital construction funds invested in agriculture declined from 11.9 percent of total construction funds to just 2.9 percent.

Fearful of urban unrest, throughout the 1980s the government used subsidies to protect urban consumers from grain price increases. But by 1988, consumer subsidies were approaching East European proportions, and government deficits were growing at an alarming rate. Seeking relief from price pressures, the government sought ways to lower the

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cost of production, focusing on scale of production and distribution and prices of inputs. For example, beginning in December 1988, the government renewed its monopoly over fertilizer—the primary expense of most farmers—and other agricultural inputs such as pesticides and diesel oil, in an attempt to hold down input market prices. At the same time, the central government began reasserting its monopsony control over certain agricultural output markets, notably cotton, silk cocoons, and tobacco. The latter measure, largely unsuccessful, was aimed at guaranteeing supplies of low-priced inputs to State enterprises, which had been losing out to county and township enterprises offering higher prices to suppliers.

Post-Tiananmen shift in emphasis

Dissatisfied with the results of these policies, central leaders had begun to review agricultural policy well before the Tiananmen incident and the fall of Zhao Ziyang. The subsequent turn to more conservative economic views was reflected in proposals for a new agricultural policy announced following the Central Committee of the Chinese Communist Party's (CCP) 5th Plenum in November 1989. Appearances by CCP General Secretary Jiang Zemin and Premier Li Peng highlighted the importance of the meeting on comprehensive agricultural development, which also featured speeches by Vice Premier Tian Jiyun, State Councillor Chen Junsheng, and Minister of Agriculture He Kang.

In the keynote address, Tian Jiyun analyzed the causes of recent stagnation in grain and cotton output and outlined the government's proposed

policy response. The government's thesis is that China's grain production capacity now averages around 400 million metric tonnes, give or take about 10 million metric tonnes depending on the weather. According to Tian, since production capacity is determined by arable land base, manufactured input supplies, and agricultural technology, further purchase price increases would not directly relieve these constraints and therefore are not appropriate policy responses to output stagnation.

Tian also stressed that increasing Chinese dependence on world grain markets is politically unacceptable, and since agriculture is the basis for overall development, China needs a new breakthrough in agriculture to carry it through the decade. This breakthrough could be achieved by increasing output on fields currently providing low or medium yields. The yield increases are to come from increased investment, improved agricultural technologies, and better resource management. Further output gains are to occur by cropping land not now cultivated and increasing the number of harvests per year.

Passing the buck

The issue of increased agricultural investment highlights the central problem of the government's new agricultural policy: It calls for more funds than the central government is willing to spend. Government estimates of 1989 agricultural infrastructure investment show about ¥11 billion from peasants and collectives, and only ¥3.6 billion from government. These figures do not include the value of uncompensated peasant labor in various irrigation and reclamation schemes, which would make the proportion of peasant funding even higher. Though the government has trumpeted its March decision to increase 1990 agricultural infrastructure investment by ¥1 billion, most of that is earmarked for strengthening dikes and other flood prevention devices on major rivers—largely for the protection of urban areas—and will likely have little direct impact on agricultural production. Thus, despite the fanfare, the government is still counting on local rather than central resources to increase agricultural investment.

However, both peasants and local governments are squeezed for cash.

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Inflation and the austerity program have caused virtual stagnation of peasant incomes over the past two years. Local government revenue depends heavily on township and village enterprises, which experienced substantial declines in growth rates in 1989. Although reduced off-farm employment may lead to increased agricultural labor, coming up with more cash for investment will be difficult under current conditions.

Even where agriculture offers competitive returns, peasants see investment in land or irrigation as risky, since the land tenure system offers little security (see p. 12). Central government support for small-scale, voluntary cooperatives appears to have heightened peasant insecurity by recalling the collectivization movement of the 1950s, which also began in a spirit of voluntarism.

There is therefore little likelihood of significant voluntary increases in peasant investment in land in the near term. Agricultural investment by local government or township and village enterprises will be severely circumscribed by the austerity program. Significant changes in rural investment patterns must await general economic resurgence, improved relative returns to agriculture, and perhaps most important, increased security of land tenure—none of which appears likely to emerge soon.

Transferring technology

The second major element of the new agricultural policy calls for faster and more effective transfer of agricultural technologies to farmers. In theory, the commune system effectively reduced the risk of experimenting with new seeds or other technologies, and provided a ready structure for the transmission of new ideas. A

substitute agricultural extension system that can test new crops, techniques, and seed varieties, then teach the best of them to large numbers of peasant farmers, exists on government organization charts but functions erratically in practice.

Agricultural extension services are funded by local governments, and thus are best developed in comparatively wealthy, high-yield areas. The low-yield regions—on which the new agricultural strategy focuses—tend to have poorer county governments, with accordingly less well-funded extension programs serving less educated farmers. The problems facing the investment program are therefore compounded by those in the extension system.

Structural problems slowing the transfer of new technologies between research units and endusers are common throughout the Chinese economy, and experiments to improve the agricultural extension system have not had much success. Furthermore, the government's strategy for technology extension assumes that a large stock of applicable agricultural technologies sits unused in research units, though no evidence supports such an assumption.

Field Crop Output Value as a Percentage of Total Village Output Value

1978	52.6
1983	47.1
1984	43.4
1985	36.0
1986	33.0
1987	30.1
1988	26.2

SOURCES: State Statistical Bureau, *Statistical Yearbook of China 1989*, Chinese Rural Statistics Yearbook 1985

tion. Indeed, the generation and testing of new technologies has been badly affected by the fall, in real terms, of agricultural research funding over the past decade.

Not only is the stock of fully-developed but unexploited technologies small, it will decrease further as basic agricultural research funding fails to keep pace with inflation—nowhere in recent policy pronouncements is there a recognition of the need to boost funding in this vital

area. Further neglect bodes ill for the potential contribution of technological advances to increased agricultural output.

Improving management

Returns to direct investment in agriculture or indirect investment through research and extension systems ultimately depend on the quality of agricultural resource management. The rapid output gains of the 1979-88 period were achieved largely through improved exploitation of substantial—albeit badly managed—investment prior to 1978. Peasants have proven to be reasonably adroit managers throughout the past decade, consistently shifting resources toward higher return activities. That has meant allocating fewer inputs to highly regulated, low-return crops such as grain, and more to less-regulated crops, horticulture, animal husbandry, and fish farming. Within the broader rural economy it has meant a shift to non-farm enterprise and the sale of labor in urban areas. As a result, field crops such as grain and cotton dropped from 49 percent of total village output value in 1980 to only 26 percent in 1988, with most of the drop occurring after 1984, when increases in State purchase prices slowed.

Of course, the overall quality of management can continue to grow through improved education for both rural children and adults. Unfortunately, because education depends heavily on local funding, poorer, low-yield areas lag in providing good, cheap schooling even at elementary levels. Technical and adult education efforts are plagued by inadequate funding and inappropriate teaching methods. The recent histories of agricultural management and rural education do not suggest a ready solution to agricultural production problems. Rather, they indicate the importance of incentives and investment for developing a strategy for continued rural growth.

The other two elements of the new agricultural policy—more use of waste land and increases in the number of harvests per year (the cropping index)—are also unlikely to inspire much change in agricultural output. Though much new land has been brought under cultivation over the past decade, official figures show that the additions to cropped acreage

Ken Woolley is president of the Kentucky-based Pig Improvement Co., which operates a swine-breeding joint venture in Hubei Province. He spoke with CBR Intern, Eliza Rosenbluth, about current agricultural conditions in China.

CBR: *What are the major problems in China's agriculture sector today?*

Woolley: I think a lot of them are tied to the overall economic situation. Before economic reforms there was not really a market economy in China. Most of the major agricultural products—such as rice and cotton—were controlled tightly. Then, when China began opening up, farmers were encouraged to become more entrepreneurial. Some jumped on the bandwagon and began to produce the beginnings of a market economy, but in small ways. The market economy has regressed a little now, but it still functions.

Looking at agricultural production, the economics are distorted by the coexistence of free markets and a centrally-planned economy. The major segment of agriculture is controlled by the government. In pig production, many farmers buy feed inputs (corn) at below-market prices and sell their pigs at similarly low levels. In our own experience, the cost just to feed a pig—not including such costs as overhead, salaries, and transport and veterinary fees—has at times been more than the return per pig.

CBR: *Has there been a discernible difference in rural attitudes since last fall?*

Woolley: If there has it's been a backwards change. The peasants were beginning to get used to changes: moving forward, selling more freely, having more control over their work. They were beginning

have not offset land lost to urban growth. The cropping index has fallen since the 1970s, because output gains came at production costs far above the sales price of grain. Absent price increases or new technologies reducing production costs, peasants will not willingly increase the cropping index. There is thus little room for optimism about this

A Small Step Backwards



to benefit from working long hours for themselves. Now they have stepped back a bit, but not much. Our partners, who send frequent reports from China, say that things are getting better, that the economics are improving. We are now getting higher prices for our pigs and selling them more easily. I expect attitudes have improved along with these changes.

CBR: *In what ways could current agricultural production policies be changed for the better?*

Woolley: Things could be freed up. A more liberal market economy should be developed. The government should pursue the track it was following before June 4th. However, some bad things happened under those policies, too—corruption, unfairness. In the minds of some people in Beijing, corruption is a consequence of the free market system.

CBR: *Is there change in sight?*

Woolley: Not much—maybe tiny glimpses of change. If there is change it is likely to occur subtly and quietly. We do business all over the world—nowhere is it as difficult as in China.

source of potential output growth.

Reduced market distribution

Just as the State has reinstituted central control over inputs for key industrial enterprises, it has reinstituted monopolies over distribution and prices of agricultural inputs, such as fertilizer, and certain outputs, such as cotton. Given China's

past experience, however (as well as that of other socialist economies), there is no reason to believe that a government monopoly over these markets will lead to efficient provision of service. Indeed, the current round of re-monopolization of inputs was attacked in a number of provincial newspaper articles before June, and a September article in *Economic Daily* delivered a well-reasoned, devastating indictment of the system. A March 1990 *Peasant Daily* article even suggested that the monopoly system was to blame for above-average increases in agricultural input prices in 1989.

Past experience with such monopolies suggests that peasants will face a gradual deterioration in the responsiveness of the input system to economic forces and a decline in

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economic efficiency. Motivation for strengthening the system of State control (under the rubric of a "comprehensive socialist service network" for agriculture) seems purely political: To prevent the penetration of capitalism into agricultural production. Inhibiting the role of market forces in the agricultural sector, however, will likely lead to stagnant production and increased rural discontent.

No change in sight

In the current economic climate, the "new" agricultural policy offers little prospect of stimulating the grain and cotton output gains sought by Beijing. While recent speeches indicate major problems in agriculture are clearly recognized by the leadership, creative new solutions have not been developed. In a time of austerity, the government's strategy depends on mobilizing scarce local government and private resources



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for investment in low-return agricultural enterprise. Beijing lacks sufficient power over local financial decisions to ensure compliance with this strategy.

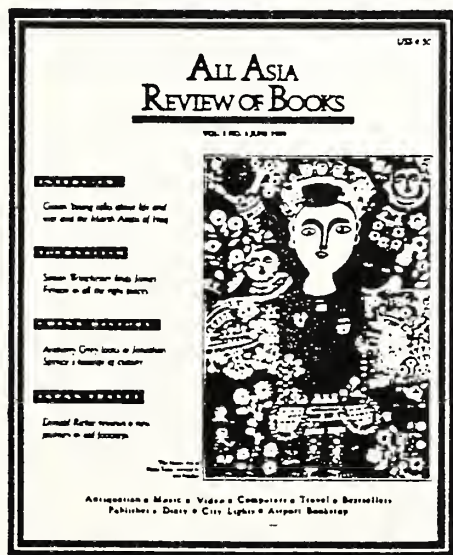
Suggestions for financially cheaper—but perhaps politically risky—systemic changes have not been raised by the leadership. These could include actions to increase security of land tenure for peasants, make input prices more responsive to demand, and encourage greater specialization in production through larger, better-integrated output markets for all major agricultural commodities. The leadership needs new ideas to deal effectively with the problems created by the transformation of the agricultural economy over the past decade. Those ideas are not forthcoming in an atmosphere that discourages wide-ranging public debate over important issues of public policy—and that is one of China's greatest losses in the aftermath of Tiananmen. 完

China's top leaders have been encouraging peasants to devote more acreage to grain production.



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FEATURES

Focus on Fieldwork in the Sciences

FIELDWORK IN CHINA

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Otto Schnepf, professor of chemistry, served as US science attaché in Beijing from 1980-1982. He is a member of the CSCPRC's Committee on Advanced Study in China, and one of his research interests is an investigation of American-trained Chinese scientists who have returned to China.

Cooperation between Chinese and American experts in various fields of science is very wide-ranging, and each particular area has its own characteristic methodology. For some investigations fieldwork is of great importance and may even be an indispensable component of research. This is especially true in the cases of seismology, botany, geology, and medicine, areas which can be significantly advanced by cooperative fieldwork because of unique conditions in the US and China.

Conducting fieldwork in China, however, is in many respects unlike carrying out field investigations in the US and other foreign countries. The reasons for this difference are many but for the most part may be attributed to the structure of the Chinese bureaucracy, the undeveloped nature of some rural areas where fieldwork

takes place, China's own priorities in scientific development (which may not always match our own), and, to some extent, basic cultural differences between Chinese and foreigners involved in joint projects. Below is a discussion of some of these aspects and a sketch of a few of the more successful US-China cooperative scientific projects to date involving fieldwork.

Unique Features of Fieldwork in the PRC

Bureaucratic realities in China must be seriously taken into consideration. In planning fieldwork projects, Chinese host agencies must heed general policies concerning foreigners. Foreigners are not authoritatively informed about these policies, but there is evidence that the regulations do not form a major obstacle except in cases where areas explicitly closed to foreigners or geographically remote and difficult to reach are involved. One of the major hurdles to gaining field access for foreign scientists seems to be the granting of permission for the project by local government authorities. Local officials may be hesitant to give their support because in many cases they take a certain risk in doing so without foreseeing any direct benefits. As they view it, the benefits usually go to an institute or agency in a more central base or in Beijing. Even provincial branch institutes of the Chinese Academy of Sciences often seem to be hesitant to lend their support because they may feel that, in any event, it is the centrally located institutes that get the lion's share of participation in the foreign exchange programs, particularly when measured in terms of trips abroad.

One point that should be kept in mind when negotiating for fieldwork in China is the lack of responsibility for decision-making granted to individual Chinese bureaucrats. The Chinese bureaucracy is formidable, and a negative response to a foreign request may mean that the official has tried to convince others both up and down the chain of command and has failed. That is not to say that the foreigner should acquiesce and accept the negative response; best results are achieved by calm insistence and a measured request for further efforts. But the cause is significantly furthered if the foreign negotiator understands the substantial difficulties faced by his Chinese counterpart.

What, then, are the major considerations for authorization of a project by Chinese local officials? Local hosts are held responsible for the health and safety of foreigners. This responsibility means making available

adequate transportation, emergency medical services, food on a level considerably above that acceptable for Chinese personnel (both in quality and hygiene), and accommodations, again at a high level by local Chinese standards. Besides these logistical issues, which very much concern the Chinese, are basic problems of finance in a Chinese-hosted project involving foreign field scientists. Some Americans who have participated in negotiations for fieldwork feel that financial problems concerning the question of who pays for what can be an issue. A local branch of an organization may often resist committing its budget to a project, and the central agency's foreign affairs bureau, which makes most of the arrangements, may have limited funds for cooperative activities.

Rural conditions and customs in China also serve as an important factor in fieldwork, an activity that often requires work in the countryside in areas remote from the larger population centers. On a per capita basis, China is a poor country with an average annual per capita income of about \$300. In spite of the recent spate of publicity on the peasants who are getting rich by means of various schemes allowed by the new policies, rural per capita income is still quoted as being below \$200. As a result, the economic gap alone between foreign investigators and the rural population is enormous, but added to that are large differences in culture and political systems. Foreign field scientists inevitably come into contact with the local population, which is likely to be far less informed about foreigners and about scientific work than people in the cities. Thus, far more attention must be paid to local customs and culture to ensure harmonious interaction, which is essential for success and for continued access.

In view of the considerations above, it is vital to the success of a fieldwork project that the Chinese host organization have a real scientific interest in it. This is where it behooves the foreign scientist to be pushing a project that the Chinese themselves have stated an interest in. Arguing in terms of general reciprocity in the larger scheme of things and pointing to the far superior numbers of Chinese scholars working in the US may be convincing to the official directly addressed, but the logic gets increasingly diluted as negotiations for project arrangements get passed down the line to the regional authority that has to give its consent and support. Ideally, the regional organization in the area to be investigated should be committed to the proposed research. If only the central agency supports the work, relatively high-level intervention is often necessary to obtain the regional authority's sanction (but may ultimately fail), and some tension may persist.

Some Guidelines

During the planning stage of a cooperative field project, it has been found most effective for the American side

to state its proposed substantive objectives and to let the Chinese side decide on the geographic areas and the personnel to be involved. It is often quite helpful to the Chinese host organization for the Americans familiar with Chinese scientists to submit a list of suggested participants, but it is important to the Chinese that the final selection of participating Chinese personnel be left to them. Personnel selection is obviously critical for success of a research study. It is probably impossible to achieve a perfect match in terms of professional level and interests, but great efforts are vital to get as close as possible within the above-mentioned limitations and constraints. Early exchange of biodata between foreign and Chinese scientists is very useful, but preparatory trips to China by project leaders for discussions with the prospective Chinese professional personnel are most effective. In the final analysis, there is no substitute for advance personal contact between participating scientists to optimize conditions for joint investigations. The expense involved is well justified.

Another point to keep in mind when selecting personnel (although it should by no means be the only criterion) is language ability. It is essential to ensure the participation of scientists on one or both sides who are fluent in the other side's language. Among Chinese technical personnel there are many excellent English speakers who can make the difference between success and failure of a joint venture, while professional interpreters without technical training are far less effective. On the American side, the availability of Chinese-American scientists in almost every field is a blessing to be utilized in team work.

Yet two more factors must be given special attention when negotiating for fieldwork in China. One is finances. It cannot be overemphasized how important it is to determine in detail and in advance which party is liable for which costs. It is often tempting to defer decision of some point until after the work has begun, but this procedure is very risky and may well result in serious tension, which may cast a cloud over the whole venture.

Similar points are applicable to the question of sample collection and removal from China for further study in home laboratories. It is important to determine most carefully which authority in China must give its consent. Customs regulations must be ascertained ahead of time. In many cases the customs authorities act on the advice and recommendations of professional organizations, but the former retain the power to make the final decision. As a result, the outcome is not always clear in advance unless agreements are made in writing. The Chinese host agency will usually check with other authorities before concluding such a written agreement. This checking may require a great deal of time, but the effort to have every aspect clearly defined is well worthwhile. Loose ends almost always come home to haunt project participants. It seems of interest to add that the bilateral



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